



**Business Efficiency Board**

**Wednesday, 30 September 2009 at 5.30 p.m.**

**Marketing Suite, Municipal Building**

**\*\*Please note the change of time and venue\*\***

A handwritten signature in black ink that reads 'David W R'.

**Chief Executive**

**BOARD MEMBERSHIP**

<b>Councillor Dave Leadbetter (Chairman)</b>	<b>Labour</b>
<b>Councillor Martha Lloyd Jones (Vice-Chairman)</b>	<b>Labour</b>
<b>Councillor Diane Inch</b>	<b>Liberal Democrat</b>
<b>Councillor Eddie Jones</b>	<b>Labour</b>
<b>Councillor Alan Lowe</b>	<b>Labour</b>
<b>Councillor Peter Murray</b>	<b>Conservative</b>
<b>Councillor Ulfar Norddahl</b>	<b>Liberal Democrat</b>
<b>Councillor Shaun Osborne</b>	<b>Labour</b>
<b>Councillor Ged Philbin</b>	<b>Labour</b>
<b>Councillor Geoffrey Swift</b>	<b>Conservative</b>
<b>Councillor Philip Worrall</b>	<b>Liberal Democrat</b>

*Please contact Caroline Halpin on 0151 471 7394 or e-mail [caroline.halpin@halton.gov.uk](mailto:caroline.halpin@halton.gov.uk) for further information.*

*The next meeting of the Board is on Wednesday, 11 November 2009*

**ITEMS TO BE DEALT WITH  
IN THE PRESENCE OF THE PRESS AND PUBLIC**

**Part I**

<b>Item No.</b>	<b>Page No.</b>
<b>1. MINUTES</b>	
<b>2. DECLARATION OF INTEREST</b>	
Members are reminded of their responsibility to declare any personal or personal and prejudicial interest which they have in any item of business on the agenda, no later than when that item is reached and, with personal and prejudicial interests (subject to certain exceptions in the Code of Conduct for Members), to leave the meeting prior to discussion and voting on the item.	
<b>3. 2008/09 ABSTRACT OF ACCOUNTS AND THE ANNUAL GOVERNANCE REPORT</b>	<b>1 - 151</b>
<b>PART II</b>	
<b>SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985</b>	
In this case the Board has a discretion to exclude the press and public but, in view of the nature of the business to be transacted, it is RECOMMENDED that under Section 100(A)(4) of the Local Government Act 1972, having been satisfied that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 of Part 1 of Schedule 12A to the Act.	
<b>4. INTERNAL AUDIT PROGRESS REPORT - QUARTER 1 (2009/10)</b>	<b>152 - 165</b>

***In accordance with the Health and Safety at Work Act the Council is required to notify those attending meetings of the fire evacuation procedures. A copy has previously been circulated to Members and instructions are located in all rooms within the Civic block.***

**REPORT TO:** Business Efficiency Board

**DATE:** 30 September 2009

**REPORTING OFFICER:** Operational Director – Financial Services

**SUBJECT:** 2008/09 Abstract of Accounts and the Annual Governance Report

**WARDS:** Borough-wide

## **1.0 PURPOSE OF THE REPORT**

1.1 To consider the 2008/09 Abstract of Accounts and the report of the Audit Commission on the 2008/09 financial statements (The Annual Governance Report).

## **2.0 RECOMMENDED: That;**

- (i) The amendments to the 2008/09 Abstract of Accounts in Appendix 1 be noted;**
- (ii) The Audit Commission's Annual Governance Report 2008/09 in Appendix 2 be received;**
- (iii) The Letter of Representation in Appendix 3 be approved;**
- (iv) The 2008/09 Abstract of Accounts in Appendix 1 be approved.**

## **3.0 SUPPORTING INFORMATION**

### **2008/09 Abstract of Accounts**

3.1 At the Board's meeting on 12<sup>th</sup> August 2009 Members approved the Council's draft Statement of Accounts (The Abstract) for 2008/09. It was agreed at the meeting that further changes to the Abstract would be necessary to amend prior year figures, following the receipt of a capitalisation direction in respect of Mersey Gateway development costs from the Department for Communities and Local Government (DCLG). The revised Abstract would then be re-submitted to the Board for approval.

3.2 The prior year amendments have now been incorporated within the revised draft Abstract as shown in Appendix 1 and are detailed in Note 38.1 on Page 51.

- 3.3 The result of the amendments is that £8.43m of expenditure previously charged to capital in 2006/07 and 2007/08 and included in the fixed assets as infrastructure costs, has instead been charged to the Income and Expenditure Account as revenue expenditure. Changes have been made to the funding of the capital programme, such that the previous capital funding of the development costs has been switched to fund other schemes, resulting in a corresponding increase in capital receipts. This has then enabled funding to be provided for the development costs from the Capital Reserve (a revenue based reserve).
- 3.4 During the audit of the financial statements, a review of the Council's assets revealed that six voluntary controlled/aided primary schools were disclosed in the accounts as if the buildings were owned by the Council. Further investigations revealed that Cheshire County Council had transferred ownership of these buildings to the Trustees/Diocese prior to the 1998 reorganisation but had not amended the valuations passed to the Council.
- 3.5 The value of these buildings (£11.42m) has therefore been excluded from the Council's fixed assets and prior period adjustments have been made which are detailed in Note 38.2 on Page 52 of the draft Abstract.
- 3.6 As a result of these adjustments the fundamentals of the Council's financial position remain unchanged and there has been no impact upon the General Fund balance.

### **2008/09 Annual Governance Report**

- 3.7 Since the meeting on 12<sup>th</sup> August 2009, the Audit Commission have undertaken their audit of the Council's 2008/09 financial statements. The District Auditor will attend the meeting to present the report of their findings, the Annual Governance report, which includes their work in respect of the Council's arrangements for securing value for money in its use of resources, as shown in Appendix 2.

### **2008/09 Letter of Representation**

- 3.8 Each year the Council is required to provide the Audit Commission with a Letter of Representation relating to the financial statements. This is intended to provide a number of representations to the Audit Commission as shown in Appendix 3.

### **Next Steps**

- 3.9 Following the meeting, the Letter of Representation will be signed and the Audit Commission will provide their audit opinion. The Abstract of Accounts will then be published, with copies being made available to the public via Halton Direct Link, Libraries and other public locations, as well as via the Council's website.

**4.0 POLICY & OTHER IMPLICATIONS**

4.1 There are no implications arising directly from this report.

**5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

5.1 There are no direct implications, however, the Council's financial resources support the delivery and achievement of all the Council's priorities.

**6.0 RISK ANALYSIS**

6.1 The Council must have internal controls and processes in place to ensure that spending remains in line with budget.

**7.0 EQUALITY AND DIVERSITY ISSUES**

7.1 There are no equality or diversity issues associated with this report.

**8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

<b>Document</b>	<b>Place of Inspection</b>	<b>Contact Officer</b>
Accounts and Audit Regulations 2006	Accountancy Division, Municipal Building	Ed Dawson, Chief Accountant
Code of Practice on Local Authority Accounting in the UK 2009 (a Statement of Recommended Practice)		

# Halton Borough Council

## Abstract of Accounts 2008/09

I certify that the Statement of Accounts has received the full approval of Members

.....

*Councillor D. Leadbetter*  
*Chairman of Business Efficiency Board*

.....

*Date*

The printed and internet version of the abstract are not signed as a fraud prevention measure.

## Introduction

The Council's Accounts for 2008/09 are presented in the following format

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## Foreword by Operational Director - Financial Services

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### Introduction

There have been further amendments in the layout of the Abstract of Accounts this year, in compliance with the Statement of Recommended Practice (SORP), as the SORP seeks to bring Local Authority Accounting into line with International Financial Reporting Standards (IFRS). Details of these changes are outlined in the section below 'Changes in Accounting Policies'.

The Council's accounts for 2008/09 are set in the following pages grouped as follows:

### **Core Financial Statements**

- *Income and Expenditure Account* – this statement is fundamental to the understanding of the Council's activities, in that it reports the net cost of all the functions for which the Council is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers.
- *Statement of Movement on the General Fund* – this statement takes the surplus or deficit from the income and expenditure account and adds items that need to be debited or credited in accordance with statute and non-statutory proper practices to determine the movement on the General Fund.
- *Statement of Total Recognised Gains and Losses* – this statement brings together all gains and losses recognised in the accounting period, to assist in assessing the overall financial result for that period.
- *Balance Sheet* – this statement is fundamental to understanding the Council's financial position at the year end. The layout follows the standard format which is designed to produce totals of the long and short term assets and liabilities, reserves and other balances and an indication of the overall net equity at the year end.
- *Cash Flow Statement* – this statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- *Notes to the above Statements* – extensive notes to support the core statements are set out in accordance with the requirements of the Statement of Recommended Practice.



## **Foreword by Operational Director - Financial Services continued**

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### ***Supplementary Financial Statements***

- *Collection Fund Account* – this is a statutory statement which Councils who are Billing Authorities are obligated to maintain under the Local Government Finance Act 1992.
- *Group Accounts* – this statement is required if the Council has determined there is a need to present a consolidated position of its activities. The need for, and format of, the group accounts are set out in the Statement of Recommended Practice. The group accounts consolidate the accounts of the Halton Borough Transport Ltd with the Council's by grossing up the income and expenditure account and balance sheet whilst eliminating intra group transactions. The group accounts reflect the Council's 100% ownership of the transport company.

### ***Other Statements***

- *Statement of Responsibilities for the Statement of Accounts* – this statement sets out the responsibilities of the Council and the Section 151 Officer (Sections 54 and 77 of the Local Government Act 1972 respectively).
- *Annual Governance Statement* – this statement sets out the systems and framework in place which ensure that the Council complies with its own regulatory procedures, in accordance with Regulation 4 of the Accounts and Audit Regulations 2006.
- *Statement of Accounting Policies* – this statement explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.
- *Audit Report to Members* – this is the District Auditor's report and certificate following the external audit of the Council's accounts, as required under the Audit Commission Act 1998 and in accordance with the Audit Commission Code of Practice.

### **Financial Planning**

The Medium Term Financial Strategy (MTFS) is a major element of the Council's corporate planning process. It brings together resources and spending plans and identifies the financial constraints over the following three years, in order that resources are properly targeted to the Council's priorities, to avoid excessive Council Tax rises, to deliver a balanced and sustainable budget, and to continue to identify efficiencies.

The global "credit crunch" and consequent inflationary pressures and economic downturn began to have an impact upon the Council's finances during the year and this has been reflected in the MTFS. As part of the MTFS for 2008-11 the Council commissioned an Efficiency Review across all Council Services, in order to review the way in which the Council delivers services and to identify efficiencies. Outline proposals have been approved by the Council and detailed implementation plans are in the process of being prepared.

## Foreword by Operational Director - Financial Services continued

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### Summary of the 2008/09 Year

The Council incurs both revenue and capital expenditure. Revenue expenditure is generally on items which are used in the year and is financed by the Council Tax, Government Grants and other income. Capital expenditure generally has a life beyond one year and increases the value of an asset. The financing of capital expenditure is charged to revenue over a period in accordance with statutory requirements.

#### *General Fund*

	<b>Original Budget £'000</b>	<b>Actual £'000</b>
Net Expenditure	101,895	101,614
Parish Precepts	36	36
<b>Total</b>	<b>101,931</b>	<b>101,650</b>
Financed by Local Taxpayers	(40,818)	(40,818)
Financed by Government Grants	(60,763)	(60,769)
(Surplus)/Deficit for Year	350	63
Balances brought forward	(6,984)	(6,984)
<b>Balance carried forward</b>	<b>(6,634)</b>	<b>(6,921)</b>

The Council has closely monitored and controlled its spending throughout the year such that total spending was £101.614m, which was £0.281m below the budget for the year (compared to £0.224m in the previous year). Coupled with the planned contribution from balances of £0.35m, this has resulted in a reduction in balances of £0.063m to £6.921m.

#### *Schools*

Expenditure by schools totalled £78.1m (excluding any changes in the level of School balances) which is fully funded by Dedicated Schools Grant (DSG) and other grants. In addition, they also spent £11.7m relating to Standards Fund Grant. They carried forward balances at 31<sup>st</sup> March 2009 totalling £4.4m and £3.9m respectively, which are marginally lower than the previous year.

#### *Pension Liability*

Under Financial Reporting Standard 17 (FRS17), the Council is required to restate its accounts to reflect the activities of the two major pension providers, the Cheshire Pension Fund and the Teachers' Pension Agency. It also has a minor interest in the operations and accounts of the Merseyside Pension Fund in relation to employees in Greater Merseyside Connexions Ltd. The most notable amendment is the inclusion on the Balance Sheet of the Pension Reserve, a statutory account which records the estimated liability of the Council in the provision of pensions to its employees, based on various actuarial assumptions. The Pension Reserve Account liability increased from £39.256m (restated) to £86.501m over the year.

## **Foreword by Operational Director - Financial Services continued**

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### ***Single Status***

The first phase of the pay and grading review of all relevant Council staff in accordance with equal pay legislation has been completed. An appeals procedure is now underway which could take some time to complete. A number of equal pay claims have been received and these are being addressed. In recent years the Council has made provision for the potential costs.

### ***Changes in Statutory Functions or Service Delivery***

From 1<sup>st</sup> December 2008 a contract was entered into with Warrington Borough Council, for the delivery of the Consumer Protection Service within Halton for a period of five years.

There were some amendments to the reporting structure under the Best Value Code of Practice (BVACOP) guidance which the Council has adopted.

### ***Capital Planning***

The Council prepares a rolling capital programme to forecast the probable level of capital spend over the next 4-5 years, along with the likely sources of funding. The Council also maintains a Capital Reserve Account, which has been generated over the years from revenue contributions in order to support funding the capital programme. The forecast shows that there are sufficient resources to cover the current capital programme. However, in the current economic climate it is unlikely that the Council will receive significant levels of capital receipts and therefore the opportunities for additional capital spending in future years will be severely limited.

Details of the unused capital receipts and balance on the capital reserve at the year end are shown in the Notes to the Balance Sheet, together with a list of any significant contractual commitments. Councillors consider any new additions to the programme in light of the resources available. The Council has a significant capital programme over the next few years including the Mersey Gateway, 3MG, Primary Capital Programme and Building Schools for the Future.

### ***Capital Expenditure***

The Council spent £38.458m on capital schemes in 2008/09 compared with a planned expenditure of £44.833m. This outturn represents 86% of the programme, with slippage primarily occurring on the ICT Programme, Widnes Waterfront, and Castlefields Schemes. A more detailed analysis of the spend is included as part of the notes to the core financial statements. The figures include that part of the development costs of the Mersey Gateway project that were not funded by grant following the council's successful application for capital direction. Prior year expenditure for the years 2006/07 and 2007/08 on this project have been amended in the accounts so that it is now charged direct to the Income and Expenditure account. Note 38 explains the financial effect of this amendment.

## **Foreword by Operational Director - Financial Services continued**

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### ***Housing***

As part of the housing stock transfer agreement with Halton Housing Trust (HHT) the Value Added Tax (VAT) shelter arrangement was established. It is operated by HHT and £1.543m was due for the 2008/09 financial year. The stock transfer agreement also provides the Council with a share of receipts from the sale of houses under Right to Buy legislation. The sum of £0.385m was due from the Trust for 2008/09. Some of these sums were received after the year end and included in the accounts as a debtor.

### ***Treasury Management***

The Council operates within a Treasury Management Policy, which requires that each year a strategy is prepared and prudential indicators set to form a framework for the borrowing and lending activities to be undertaken. The performance is monitored each quarter throughout the year and an outturn report is produced at the year end. Despite the global “credit crunch” and downturn in the financial markets, the Council had another successful year and exceeded its performance targets. This was primarily due, in the early part of the year, to having secured advantageous fixed rates on a number of investments for up to three years.

The Council did not undertake any long term borrowing in the year and at the year end was borrowing £40.97m (fair value £40.27m), well within its authorised borrowing limit of £53.1m. The £40.97m comprised a long term loan from the Public Works Loan Board for £10m, a Lenders Option Borrowers Option loan from the Euro Hypo bank for £10m and seven short term borrowings for £20.97m. All transactions relating to investments and borrowings complied with the approved guidelines for the year. Further details of these transactions are contained in the notes to the core financial statements.

At 31<sup>st</sup> March 2009 the Council had £39m (fair value 41.72m) invested, over an average period of 7.2 months. None of the Council’s investments are with foreign banks.

The Council has based the 2008/09 Statutory General Fund MRP provision on 4% of the opening capital financing requirement. This is in line with regulation implemented under the Local Government Act 2003. These regulations have been replaced with a more flexible MRP system based on statutory guidance. The Council approved the Minimum Revenue Policy Statement as part of its Treasury Management procedures in March 2009 effective from 1<sup>st</sup> April 2008.

### ***Collection Fund***

The transactions on this fund record the collection of Council Tax and Non Domestic Rates. The net income collected on Non Domestic Rates, less certain allowances, is paid to Central Government. The payments from all the Councils are pooled and then redistributed back to Councils as part of Formula Grant. The balance on the Collection Fund is held in trust on behalf of the Council, Cheshire Police and Cheshire Fire Authorities. The account showed a small surplus for the year.

## **Foreword by Operational Director - Financial Services continued**

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### **Changes in Accounting Policies**

The SORP continues to drive towards meeting International Financial Reporting Standards (IFRS) due to be fully implemented by 2010/11. More detailed notes are required to explain the complex nature of financial assets and liabilities. One of the major changes is the charging of interest to the Income & Expenditure account in a way that reflects the effective interest rate for an instrument over its life rather than the normal cash flow accrual method.

Preparations are already underway to assess the implications of full compliance with IFRS from 2010/11, with transitional arrangements being required from 2009/10. This will result in significant changes to the Abstract of Accounts, both in terms of accounting treatments, the volume of disclosure notes and the time required for the preparation of the Abstract.

The accounts for 2007/08 have been restated (for consistency) to reflect the reclassification of a loan from short term to long term liabilities and an amendment to the deficiency on the pension fund reserve explained in detail in the pension note.

The treatment of grants now falling under the grouping of Area Based Grant has changed. In 2008/09 these grants have been removed from the net cost of services and are now shown under the Principal Sources of Finance heading. Note 16 summarises the value of this change.

### **Conclusion**

The Council has continued to be successful in managing its finances to maintain a sound financial base, to meet increasing demands for services arising from the current economic situation and to sustain the future development of the Council.

I would like to thank all Members and officers who have assisted in the year and made 2008/09 a success.

### **Further Information**

Members of the public have the statutory right to inspect the Accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press. The accounts are available for downloading from the Internet, and can be found on the Council's website at [www.halton.gov.uk](http://www.halton.gov.uk).

The Abstract is available in alternative formats, such as Braille, large print, spoken, or a different language, by contacting the Council's Communication and Marketing Division (0151-471-7413).

***W.L.Dodd***  
*Operational Director – Financial Services*

## Income and Expenditure Account

<i>Net Expenditure 2007/08 Restated</i>	<i>Services</i>	<b>Gross Expenditure 2008/09</b>	<b>Gross Income 2008/09</b>	<b>Net Expenditure 2008/09</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>CONTINUING OPERATIONS</b>			
26,290	Children's & Education Service	164,409	(115,908)	48,501
24,254	Adult Social Care	41,791	(12,249)	29,542
19,055	Highways and Transport	20,791	(4,860)	15,931
28,530	Cultural, Environmental Regulatory and Planning Services	58,213	(20,856)	37,357
2,420	Housing Services	64,169	(61,925)	2,244
6,585	Central Services	41,786	(15,422)	26,364
1,854	Corporate and Democratic Core	4,041	(853)	3,188
1,062	Non Distributed Costs	3,036	-	3,036
<b>110,050</b>	<b>NET COST OF SERVICES</b>	<b>398,236</b>	<b>(232,073)</b>	<b>166,163</b>
	<i>Corporate Income &amp; Expenditure</i>			
(3,300)	(Gains) or Losses on Disposal of Fixed Assets			(1,843)
27	Precepts Paid to Parish Councils			36
(97)	(Surplus)/Deficit from Trading Operations			(108)
865	Interest Payable			865
41	Contribution of Housing Capital Receipts to Government Pool			16
(2,706)	Interest Receivable			(2,983)
(1,706)	Pension Interest Cost and Expected Return on Pensions Assets			2,081
<b>103,174</b>	<b>NET OPERATING EXPENDITURE</b>			<b>164,227</b>
	<i>Principal Sources of Finance</i>			
(39,044)	Precept on Collection Fund			(40,818)
(8,051)	General Government Grants			(21,322)
(47,974)	Contribution from NDR Pool			(53,338)
<b>8,106*</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>			<b>48,749</b>

## Statement of Movement on the General Fund

<i>2007/08 Restated £'000</i>		<b>2008/09 £'000</b>
8,106	<b>(Surplus)/Deficit brought forward from Income and Expenditure Account</b>	48,749
(8,398)	Net Additional Amount required by statute and non-statutory proper practices to be debited or credited to the General Fund for the year	(48,438)
126 (418)	(Increase)/Decrease in General Fund balance for the year (Increase)/Decrease in School balances for the year	63 248
(7,110) (4,221)	General Fund balance brought forward Schools balances brought forward	(6,985) (4,639)
(6,984) (4,639)	General Fund balance carried forward School balances carried forward	(6,921) (4,391)
<b>(11,623)</b>	<b>Balances Carried Forward</b>	<b>(11,312)</b>

## Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

<i>2007/08 Restated £'000</i>		<b>2008/09 £'000</b>
8,106 (431)	(Surplus)/Deficit for the year on Income and Expenditure Account (Surplus)/Deficit arising on revaluation of available for sale financial assets	48,749 (1,426)
(4,557) (20,883) (147)	(Surplus)/Deficit arising on revaluation of fixed assets Actuarial (gains)/losses on pension fund assets and liabilities (Surplus)/Deficit on Collection Fund Balance	(16,118) 46,095 (75)
<b>(17,912)</b>	<b>Total Recognised (Gains)/Losses for the Year.</b>	<b>77,225</b>

## Balance Sheet

31/3/2008 £'000 <i>Restated</i>		<i>Note</i>	£'000	31/3/2009 £'000
307,233	Net Fixed Assets	18		291,102
1,797	Intangible Assets	19	2,456	
490	Long Term Investments	20	483	
1,804	Long Term Debtors	22	1,572	4,511
<b>311,324</b>	<b>Total Long Term Assets</b>			<b>295,613</b>
	<b>Current Assets</b>			
261	Stocks	21	339	
13,685	Debtors	22	24,268	
42,707	Temporary Investments		41,720	
1,007	Prepayments		1,223	
<b>57,661*</b>	<b>Total Current Assets</b>		<b>67,550</b>	
	<b>Current Liabilities</b>			
(6,001)	Temporary Loans		(20,967)	
(20,473)	Creditors	23	(22,894)	
(15,368)	Receipts in Advance		(15,541)	
(763)	Cash in Hand/(Overdrawn)		(1,077)	
<b>(42,605)</b>	<b>Total Current Liabilities</b>		<b>(60,479)</b>	
<b>15,056</b>	<b>Net Current Assets/(Liabilities)</b>			<b>7,071</b>
<b>326,380</b>				<b>302,684</b>
(19,822)	Long Term Borrowing	30	(19,302)	
(2,981)	Deferred Liabilities	27	(1,760)	
-	Provisions	25	-	
(41,019)	Government Grants – Deferred		(49,044)	
(39,256)	Liability Related to Defined Benefit Pension Scheme	33	(86,501)	(156,607)
<b>223,302</b>	<b>Total Assets less Liabilities</b>			<b>146,077</b>
(208,997)	Capital Adjustment Account	26		(160,955)
(431)	Financial Instruments Adjustment Account	26/34		(1,857)
(4,557)	Revaluation Reserve	26		(20,675)
(15,112)	Capital Receipts Unapplied	26		(11,885)
(1,462)	Deferred Capital Receipts	24		(1,428)
39,256	Pensions Reserve	33		86,501
(19,760)	Reserves – General	26		(23,775) *
(616)	– Collection Fund			(691)
(4,639)	– School			(4,391)
(6,984)	Revenue Balances – General			(6,921)
<b>(223,302)</b>	<b>Total Equity</b>	31		<b>(146,077)</b>



# Cashflow Statement

<b>Actual 2007/08 £'000</b>		<b>Actual 2008/09 £'000</b>	<b>Actual 2008/09 £'000</b>	<b>Notes</b>
	<b>Revenue Activities</b>			
	<i>Cash Outflows</i>			
138,277	Cash Paid to and on behalf of Employees	144,026		
135,344	Other Operating Cash Payments	137,398		
45,669	Housing Benefit Paid Out	50,422		
4,339	Payment of Police Precept	5,126		
2,281	Payment of Fire Precept	2,368		
58	Payments to the Capital Receipts Pool	24		
41,474	Payment to NDR Pool	43,612		
367,442			382,977	
	<i>Cash Inflows</i>			
(2,959)	Rents (after Rebates)	(3,118)		
(37,817)	Council Tax Receipts	(39,700)		
(43,910)	Non Domestic Ratepayers	(47,645)		
(47,974)	Non Domestic Rate Income from National Pool	(53,338)		
(8,051)	Revenue Support Grant	(7,425)		
(48,484)	DWP Grants for Benefits	(47,206)		
(141,639)	Other Government Grants	(139,491)		35
(14,029)	Cash Received for Other Goods and Services	(13,961)		
(23,502)	Other Revenue Cash Payments/Income	(27,375)		
(368,365)			(379,259)	
	<b>Dividends from Joint Ventures and Associates</b>			
	<i>Cash Inflows</i>			
(140)	Dividends Received		(100)	
(1,063)	REVENUE ACTIVITIES NET CASHFLOW		3618	36
	<b>Returns on Investments and Servicing of Finance</b>			
	<i>Cash Outflows</i>			
864	Interest Paid	978		
	<i>Cash Inflows</i>			
(1,973)	Interest Received	(3,043)		
(1,109)			(2,065)	
	<b>Capital Activities</b>			
	<i>Cash Outflows</i>			
22,465	Purchase of Fixed Assets	37,697		
1,648	Other Capital Cash Payments	1,931		
24,113		39,628		
	<i>Cash Inflows</i>			
(17,692)	Sale of Fixed Assets	(3,289)		
(13,761)	Capital Grants Received	(21,251)		
(440)	Other Capital Cash Receipts	(211)		
(31,893)		(24,751)	14,877	
	<b>Acquisitions and Disposals</b>			
-	No transactions	-		
(9,952)	Net Cash (Inflow)/Outflow before Financing		16,430	
	<b>Management of Liquid Resources</b>			
13,700	Net Increase/(Decrease) in Short Term Deposits		(2,000)	
-	Net Increase/(Decrease) in Other Liquid Resources		-	
	<b>Financing</b>			
	<i>Cash Outflows</i>			
-	Repayment of Amounts Borrowed – Long Term	-		
-	– Short Term	-		
-		-		
	<i>Cash Inflows</i>			
-	New Loans Raised – PWLB	-		
-	– Other	-		
(4,000)	New Short Term Loans	(14,700)		
(4,000)			(14,700)	
(252)*	<b>(Increase)/Decrease in Cash and Cash Equivalents</b>		<b>(270)</b>	37

## Notes to the Core Financial Statements

### Income and Expenditure Account

#### 1. Leasing

##### 1(a) Where Halton Borough Council is the Lessee

The Council uses leased vehicles, wheeled bins and other equipment financed under operating leases. During 2008/09 the Council has arranged 4 new leases of vans, grounds maintenance equipment, minibuses and gritters with a total value of £1,383,910.

The amount paid in rental under operating leases in 2008/09 was £215,420 (2007/08 £70,381), with outstanding obligations of £1,199,782 (31.3.08 £259,419). The amount paid in rental under finance leases in 2008/09 was nil (2007/08 nil), with no outstanding obligations.

##### 1(b) Where Halton Borough Council is the Lessor

The Council leases out buildings and land to third parties as detailed below:

	<i>Annual Rent due to HBC 2007/08</i>	<i>Depreciation on Assets 2007/08</i>	<i>Annual Rent due to HBC 2008/09</i>	<i>Depreciation on Assets 2008/09</i>
	£	£	£	£
Industrial Estates				
– Wholly Owned	1,047,062	405,993	962,736	426,507
– Shared Ownership with Pochins (50:50)	48,772	23,348	52,601	45,920
Offices	153,567	66,887	176,016	120,789
Other Land and Properties	306,035	222,676	434,332	222,676
Shops	170,750	140,676	162,100	160,613
Public Houses Ground Rent	54,530	-	53,600	-
Car Parks	1,744	-	2,674	-
	<b>1,782,460</b>	<b>859,580</b>	<b>1,844,059</b>	<b>976,505</b>

## Notes to the Core Financial Statements continued

### 2. Trading Operations

The Council operates public markets, several industrial estates and owns a successful transport undertaking. A brief summary and comparison with 2007/08 is detailed below:

Income 2008/09	Expenditure 2008/09	Trading (Surplus)/ Deficit 2008/09	Trading (Surplus)/ Deficit 2007/08	Trading Account	Asset Rentals 2008/09	Total inc. Asset Rental 2008/09
£'000	£'000	£'000	£'000		£'000	£'000
(900)	848	(52)	(29)	Markets	137	85
(1138)	451	(688)	(526)	Industrial Estates	594	(93)

The (surplus)/deficit taken to General Fund from trading operations was made up as follows:

	2007/08 £'000	2008/09 £'000
Markets	100	85
Industrial Estates	(97)	(93)
Halton Transport Dividend	(100)	(100)
	<b>(97)</b>	<b>(108)</b>

Halton Transport is a wholly owned subsidiary of the Council and further details of its operations are shown in Balance Sheet Note 20.

## Notes to the Core Financial Statements continued

### 3. Agency and Pooled Budget Expenditure

The Council is accountable for the following pooled budgets with the Halton and St. Helens Primary Care Trust.

#### Adults with Learning Disability Services in Halton

*Object: To improve the ability of people to live independently through better co-ordinated services.*

<b>Revenue 2007/08 £'000</b>		<b>Revenue 2008/09 £'000</b>
	<b>Funding</b>	
(4,227)	Halton & St. Helens Primary Care Trust	(2,513)
(8,530)	Halton Borough Council	(10,057)
(41)	Other Income	(413)
262	Less Income Under Achieved	395
<b>(12,536)</b>	<b>Total Funding</b>	<b>(12,588)</b>
	<b>Expenditure</b>	
1,142	Nursing Care	1,099
1,124	Residential Care	1,112
2,842	Supported Living	2,827
2,679	Homecare	2,382
1,834	Day Services	1,864
1,192	Specialist Learning Disabilities Team	916
44	Support for Advocacy	40
7	Support for Carers	-
556	Respite	419
1,087	Senior Managers	1,319
20	Adult Placement	40
9	Other	46
<b>12,536</b>	<b>Total Expenditure</b>	<b>12,064</b>
-	<b>(Surplus)/Deficit for the Year</b>	<b>(524)</b>
-	<b>Balance brought forward</b>	-
-	(Surplus)/Deficit for the Year	(524)
-	Surplus Returned to Partners (80%:20%)	524
-	<b>Balance carried forward</b>	-

## Notes to the Core Financial Statements continued

### 3. Agency and Pooled Budget Expenditure (continued)

#### Halton Integrated Community Equipment Service

*Object: To provide equipment for people with a disability via an integrated, multi-agency service .*

<b>Revenue 2007/08 £'000</b>		<b>Revenue 2008/09 £'000</b>
(192)	<b>Funding</b>	
(209)	Halton Borough Council	(445)
	Halton & St. Helens Primary Care Trust	(195)
<b>(401)</b>	<b>Total Funding</b>	<b>(640)</b>
	<b>Expenditure</b>	
77	Management Fee	120
247	Stock	291
77	Halton & St. Helens PCT Expenditure	120
<b>401</b>	<b>Total Expenditure</b>	<b>531</b>
-	<b>(Surplus)/Deficit for the Year</b>	<b>(109)</b>
-	<b>Balance brought forward</b>	-
-	(Surplus)/Deficit for the Year	(109)
-	Surplus Returned to Partners (70%:30%)	109
-	<b>Balance carried forward</b>	-

## Notes to the Core Financial Statements continued

### 3. Agency and Pooled Budget Expenditure (continued)

#### Children with Disabilities

*Object: To oversee the development and implementation of a multi-agency strategy regarding the provision of services to children with disabilities, their families and carers.*

<b>Revenue 2007/08 £'000</b>		<b>Revenue 2008/09 £'000</b>
(843) (1,414)	<b>Funding</b> Halton & St. Helens Primary Care Trust Halton Borough Council	(1,313) (1,073)
<b>(2,257)</b>	<b>Total Funding</b>	<b>(2,386)</b>
104 - 801 20 180 11 17 435 490	<b>Expenditure</b> Management Commissioned Services Shaping Services Direct Payments Grants to Voluntary Organisations Training Equipment Provision Childrens Disability Scheme Inglefield	108 175 735 23 19 - 27 513 510
<b>2,058</b>	<b>Total Expenditure</b>	<b>2,110</b>
<b>(199)</b>	<b>(Surplus)/Deficit for the Year</b>	<b>(276)</b>
- (199) 199	<b>Balance brought forward</b> (Surplus)/Deficit for the Year Surplus Returned to Partners (55%:45%)	- (276) 276
-	<b>Balance carried forward</b>	-

## Notes to the Core Financial Statements continued

### 3. Agency and Pooled Budget Expenditure (continued)

#### Intermediate Care

*Object: To improve the ability of older people to live independently through the commissioning and provision of enabling and rehabilitation intermediate care services.*

<b>Revenue 2007/08 £'000</b>		<b>Revenue 2008/09 £'000</b>
(306)	<b>Funding</b>	
(770)	Halton & St. Helens Primary Care Trust	(592)
	Halton Borough Council	(665)
<b>(1,076)</b>	<b>Total Funding</b>	<b>(1,257)</b>
	<b>Expenditure</b>	
33	Management	66
333	Therapy Team	270
117	Nursing Team	119
125	Social Work Team	129
267	Care Team	261
35	Administration Team	37
122	Winter Pressures	65
44	Other Expenditure	126
<b>1,076</b>	<b>Total Expenditure</b>	<b>1,073</b>
<b>-</b>	<b>(Surplus)/Deficit for the Year</b>	<b>(184)</b>
<b>-</b>	<b>Balance brought forward</b>	<b>-</b>
-	(Surplus)/Deficit for the Year	(184)
-	Surplus Returned to Partners (53%:47%)	184
<b>-</b>	<b>Balance carried forward</b>	<b>-</b>

## Notes to the Core Financial Statements continued

### 4. S137 Expenditure

Under S137 of the Local Government Act 1972, as amended, the Council (subject to various conditions and limits) is empowered to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council's expenditure under this power was mainly on donations to voluntary bodies working in the local area as detailed below:

	<b>2007/08 £'000 (£5.48 per head)</b>	<b>2008/09 £'000 (£5.70 per head)</b>
Permitted to Spend	655	681
Actual Spend	310	269

### 5. S5 Expenditure on Publicity

Under S5 of the Local Government Act 1986, Local Authorities are required to account separately for their expenditure on publicity. Set out below are details for 2008/09 compared with 2007/08:

	<b>2007/08 £'000</b>	<b>2008/09 £'000</b>
Recruitment Advertising	277	388
General Advertising/Marketing	665	839
Promotional Expenditure	219	314
	<b>1,161</b>	<b>1,541</b>

### 6. Local Authority (Goods and Services) Act 1970

Subject to the provisions of Section 1 of the 1970 Act, a Council may enter into an agreement to supply certain goods and services. In 2008/09 the Council supplied payroll services to Riverside College.

	<b>2007/08 £'000</b>	<b>2008/09 £'000</b>
The income generated from this activity was	(12)	(15)
The related costs were	12	15
Out of a total departmental budget of	416	1,228



## Notes to the Core Financial Statements continued

### 7. Exceptional Items

There are no exceptional items to report.

### 8. Officers' Emoluments

The number of employees whose remuneration, inclusive of car benefit but excluding pension contributions, was £50,000 or more in bands of £10,000 were as shown below.

Remuneration Band	2007/08 Teaching	2008/09 Teaching	2007/08 Non Teaching Restated	2008/09 Non Teaching
£50,000-£59,999	37	67	29	27
£60,000-£69,999	7	12	7	24
£70,000-£79,999	4	3	13	9
£80,000-£89,999	1	2	3	13
£90,000-£99,999	-	1	1	-
£100,000-£109,999	-	1	2	3
£110,000-£119,999	-	-	-	1
£120,000-£129,999	-	-	-	-
£130,000-£139,999	-	-	-	-
£140,000-£149,999	-	-	-	-
£150,000-£159,999	-	-	1	-
£160,000-£169,999	-	-	-	1

### 9. Members' Allowances

During the year £702,900 (2007/08 £673,210) was paid to Members and includes mayoral and deputy allowances.

### 10. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). A summary of the material transactions with Central Government is included in the table overleaf, with additional detail included in the Cashflow Statement.

## Notes to the Core Financial Statements continued

### 10. Related Party Transactions (continued)

	<i>Receipts £m 2007/08</i>	<i>Receipts £m 2008/09</i>	<i>Payments £m 2007/08</i>	<i>Payments £m 2008/09</i>
Central Government and Government Agency				
– General Revenue Support	<i>(56.03)</i>	(74.66)		
– Specific Revenue Grants	<i>(141.21)</i>	(124.49)		
– DSS Support to Rebates/Allowances	<i>(47.10)</i>	(51.31)		
– Capital	<i>(9.91)</i>	(21.11)		
Cheshire County Council				
– 3C Waste Rent*	<i>(0.06)</i>	(0.07)		
– Home Office Services			0.14	0.14
Cheshire Police Authority – Precept			4.34	5.13
Parish Councils – Precept			0.03	0.04
Cheshire Fire Authority – Precept			2.28	2.37
Environmental Agency – Levy			0.06	0.06
Halton Housing Trust	<i>(2.26)</i>	(2.66)	0.44	0.49

\*3C Waste for 2007/08 covers three quarters and 2008/09 covers four quarters.

A more detailed analysis of grants appears in the Notes to the Cashflow Statement.

The significant accruals for debtors and creditors outstanding at the year end and regarding related parties are summarised below.

	<b>Debtors £m</b>	<b>Creditors £m</b>
Department of Transport – Section 31 Grant Claims	3.20	
Department of Transport – Revenue Support	3.00	
Govt. Office North West – Grant Claims	2.88	
HMRC – VAT Reimbursement	2.44	
DCLG – Council Tax/Housing Benefit Subsidy	2.14	
HHT – Right to Buy/VAT Shelter	0.62	
Inland Revenue – March Income Tax Deductions		2.67
DCLG – NDR Contribution to Pool		1.17
Halton & St. Helens PCT – various		0.80
Teachers Pensions Agency – March Contributions		0.62
Warrington & Halton NHS Trust – Various		0.07
St. Helens MBC – various		0.05
	<b>14.28</b>	<b>5.38</b>

The position with companies in which the Council has a share interest is disclosed in the section on Group Accounts.

Other statements of interest within the Abstract are Members' Allowances (Note 9 to the Income and Expenditure Account) and Pensions (Note 33 to the Balance Sheet).

To assist with Compliance with the Code of Practice the Council has introduced a system of self regulation.

## Notes to the Core Financial Statements continued

### 10. Related Party Transactions (continued)

The system requires each Executive Director and Member to complete a declaration regarding whether they or any members of their family have been involved in any material financial transactions with the Council in the financial year.

For 2008/09 the system has highlighted that twelve Members had interests in various voluntary sector bodies, some of which receive grant support from the Council, and more specifically one Member was on the board of Halton Housing Trust. The declarations also showed that two Executive Officers represent the Council on the boards of various bodies within the borough, some of which receive grant assistance.

### 11. Building Control

The Local Authority Building Control Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. The statement below shows the total cost divided between chargeable and non-chargeable (i.e. general advice and liaising with other statutory bodies) activities.

	<i>Chargeable</i> 2007/08 £'000	<i>Chargeable</i> 2008/09 £'000	<i>Non Chargeable</i> 2007/08 £'000	<i>Non Chargeable</i> 2008/09 £'000	<i>Total</i> 2007/08 £'000	<i>Total</i> 2008/09 £'000
<b>Expenditure</b>						
Employee Expenses	191	182	120	114	311	296
Premises	6	15	14	11	20	26
Supplies & Services	22	23	11	11	33	34
Transport	3	2	2	2	5	4
Central and Support Service Charges	74	96	98	98	172	194
Total Expenditure	296	318	245	236	541	554
<b>Income</b>						
Building Regulation Charges	(302)	(236)	-	-	(302)	(236)
Miscellaneous Income	-	-	-	-	-	-
Total Income	(302)	(236)	-	-	(302)	(236)
<b>(Surplus)/Deficit for Year</b>	<b>(6)</b>	<b>82</b>	<b>245</b>	<b>236</b>	<b>239</b>	<b>318</b>

### 12. Audit Fees

The Council incurred the following fees relating to external audit and inspection.

	<i>2007/08</i> £'000	<i>2008/09</i> £'000
Fees Payable for		
– Audit	202	229
– Inspections	123	22
– Grants and Returns	81	71
	<b>406</b>	<b>322</b>

## Notes to the Core Financial Statements continued

### 13. Transport Act 2000 – Schedule 12 (Road Charging Schemes and Workplace Charging Levies)

There are no transactions to report.

### 14. Business Improvement District Schemes (Improvements to Services Funded by Local NDR Levy)

Two BID schemes have been set up in Halton for the purpose of providing additional service or improvements to Astmoor and Halebank industrial areas. These are funded by a levy additional to the non-domestic rate on ratepayers in the BID area. The BID schemes became operational in April 2008 and will involve investment in the areas over the next 5 years. In accordance with the relevant guidance the Council as billing authority is acting as an agent and therefore most BID transactions would not be recognised in the Income and Expenditure Account but be dealt with as Balance Sheet items. The exceptions being BID levy collection costs and associated reimbursement income and income from services supplied by the billing authority for the BID project on a paid basis. Under the Local Government Act 2003, the council must keep a separate BID revenue account for each BID.

<b>Astmoor BID Revenue Account</b>	<b>2007/08 £'000</b>	<b>2008/09 £'000</b>
<b>Income</b>		
BID Levy Income	-	(164)
Other Income	-	(13)
<b>Total Income</b>	-	<b>(177)</b>
<b>Expenditure</b>		
Cost of Collecting Levy	-	8
Council Expenditure on Providing Services	-	30
Payment for Services Provided by Other Parties	-	42
Increased Provision for Bad Debts	-	6
<b>Total Expenditure</b>	-	<b>86</b>
<b>Surplus for the Year</b>	-	<b>(91)</b>
<b>Surplus Brought Forward</b>	-	-
<b>Surplus Carried Forward</b>	-	<b>(91)</b>

<b>Halebank BID Revenue Account</b>	<b>2007/08 £'000</b>	<b>2008/09 £'000</b>
<b>Income</b>		
BID Levy Income	-	(45)
Other Income	-	(6)
<b>Total Income</b>	-	<b>(51)</b>
<b>Expenditure</b>		
Cost of Collecting Levy	-	2
Council Expenditure on Providing Services	-	15
Payment for Services Provided by Other Parties	-	5
Increased Provision for Bad Debts	-	1
<b>Total Expenditure</b>	-	<b>23</b>
<b>Surplus for the Year</b>	-	<b>(28)</b>
<b>Surplus Brought Forward</b>	-	-
<b>Surplus Carried Forward</b>	-	<b>(28)</b>

## Notes to the Core Financial Statements continued

### 15. Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Education and Skills, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on a Council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Overspends and underspends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2008/09 are as follows:

<b>Total 2007/08</b>		<b>Central Expenditure 2008/09</b>	<b>Individual Schools Budget 2008/09</b>	<b>Total 2008/09</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
(75,690)	Original Grant Allocation to Schools Budget for the current year in the Council's Budget	(8,819)	(69,161)	(77,980)
125	Adjustment to finalised grant allocation	-	21	21
(75,565)	DSG receivable for the year	(8,819)	(69,140)	(77,959)
75,535	Actual Expenditure for the year	8,930	69,388	78,318
(30)	Over/(Under) Spend for the year	111	248	359
-	Planned Top-up Funding of the ISB from Council Resources	-	-	-
417	Use of Schools Balances brought forward		(248)	(248)
(1,563)	Over/(Under) Spend from prior year	(1,176)	-	(1,176)
<b>(1,176)</b>	<b>Over/(Under) Spend carried forward to 2008/09</b>	<b>(1,065)</b>	<b>-</b>	<b>(1,065)</b>

### 16. General Government Grant

The Council received the following revenue grants from the government that are not attributable to specific services during the financial year.

<b>2007/08 £'000</b>		<b>2008/09 £'000</b>
(8,051)	Revenue Support Grant	(7,425)
-	Local Authority Business Initiative	(6)
-	Area Based Grant	(13,891)
<b>(8,051)</b>		<b>(21,322)</b>

## Notes to the Core Financial Statements continued

### Statement of Movement on the General Fund

#### 17. Analysis of Movement on General Fund

<i>2007/08 Restated</i>		<b>Net Expenditure 2008/09</b>
<b>£'000</b>		<b>£'000</b>
	<b><i>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund for the year</i></b>	
(611)	Amortisation of Intangible Fixed Assets	(652)
(17,699)	Depreciation and Impairment of Fixed Assets	(17,914)
(2,785)	– Depreciation	(47,678)
3,033	– Impairments	11,194
(458)	Government Grants Deferred Amortisation	(129)
3,300	Write Downs of Deferred Charges to be financed from Capital Resources	1,843
(8,289)	Net Gain or (Loss) on Sale of Fixed Assets	(11,762)
	Net Charges made for Retirement Benefits in accordance with FRS17	
(23,509)		(65,098)
	<b><i>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund for the year</i></b>	
1,222	Minimum Revenue Provision for Capital Financing	1,546
468	Capital Expenditure charged in year to the General Fund	502
(41)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(16)
9,912	Employer's Contributions payable to the Pension Fund and Retirement Benefits payable direct to pensioners	10,612
11,561		12,644
	<b><i>Transfers to and from the General Fund that are required to be taken into account when determining the Movement on the General Fund for the year</i></b>	
3,550	Contribution to/(from) Reserves	4,016
3,550		4,016
<b>(8,398)</b>	<b>AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXPAYERS</b>	<b>(48,438)</b>

The impairments line represents downward revaluations and capital expenditure which did not add value to fixed assets and the effect of negative revaluations.

# Notes to the Core Financial Statements continued

## Balance Sheet

### 18(a) Fixed Assets

Movements in fixed assets during the year were as follows:

Total 2007/08		Operational Assets				Non Operational Assets			Intangible Assets	Total 2008/09
		Land and Buildings	Community Assets	Infrastructure Assets	Vehicles, Plant and Equipment	Investment	Under Construction/ Development	Surplus		
£'000	Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
358,069	As at 1 April 08	212,103	4,686	99,993	5,435	16,944	15,463	4,737	3,257	362,618
19,963	Additions and Enhancements	-	460	17,133	1,175	-	4,763	8,533	1,310	33,374
(17,768)	Disposals/Alienations	-	-	(685)	(1,245)	-	-	(1,014)	(965)	(3,909)
-	Reclassifications	1,709	182	-	-	(676)	(1,947)	732	-	-
2,354	Revaluations/Impairments	(33,034)	-	-	-	(5,538)	(17,222)	3,764	-	(52,030)
362,618	As at 31st March 09	180,778	5,328	116,441	5,365	10,730	1,057	16,752	3,602	340,053
(39,729)	<b>Depreciation</b>									
(18,766)*	As at 1 April 08	(16,190)	(369)	(32,905)	(1,991)	(552)	(20)	(101)	(1,460)	(53,588)
-	Depreciation for the year	(7,907)	(257)	(7,924)	(1,013)	(760)	(7)	(47)	(651)	(18,566)
-	Disposals /Alienations	-	-	685	1,245	-	-	148	965	3,043
-	Reclassifications	-	(91)	-	-	-	-	-	-	(91)
4,907	Depreciation on Assets Revalued	21,373	-	-	-	1,307	27	-	-	22,707
(53,588)	As at 31 March 09	(2,724)	(717)	(40,144)	(1,759)	(5)	-	-	(1,146)	(46,495)
309,030	Balance Sheet Amount as at 31 March 09	178,054	4,611	76,297	3,606	10,725	1,057	16,752	2,456	293,558
318,340	Balance Sheet Amount as at 1 April 08	195,913	4,317	67,088	3,444	16,392	15,443	4,636	1,797	309,030

*There are no assets held under finance leases or PFI arrangements*

## Notes to the Core Financial Statements continued

### 18(b) Financing of Capital Expenditure

	<b>2007/08</b> <b>£'000</b>	<b>2008/09</b> <b>£'000</b>
Expenditure during year:		
– Fixed Assets	19,962	33,374
– Other Capital Expenditure	2,785	3,448
– Grants & Advances – General	401	502
– Grants & Advances – Improvements to Property	1,114	1,134
	<b>24,262</b>	<b>38,458</b>
Financed by:		
– Loans – Supported	4,829	3,767
– Prudential	4,837	6,326
– Grant – Central Government	7,579	9,667
– Other	2,326	10,275
– Capital Receipts/Reserve	3,741	5,834
– Private Developers	482	2,087
– Revenue	468	502
	<b>24,262</b>	<b>38,458</b>

The analysis above shows the Council spent £38.458m during 2008/09. This represents spend at 87% of the programme compared with the target spend of 90%. The highlights of the programme were:

	<b>£m</b>	<b>£m</b>
<b>Construction or Purchase of Assets</b>		
Bayer Site Acquisition	5.540	
Mersey Gateway Acquisition	2.562	
IT Rolling Programme	1.957	
Runcorn Travellers Site	0.624	
Recycling Bins	0.304	
		10.987



## Notes to the Core Financial Statements continued

### 18(b) Financing of Capital Expenditure (continued)

	£m	£m
<b>Improving, Maintaining or Extending Assets</b>		
Highway/Bridge Maintenance	12.770	
Extension to Cavendish/Brookfields Schools	1.672	
Runcorn Town Hall Refurbishment	1.121	
Halton Lea Library Refurbishment	0.792	
Disability Discrimination Works	0.288	
Riverview Site Improvements	0.090	
Victoria Park Refurbishment	0.060	
		16.793
<b>Other Works</b>		
Regeneration - Ditton Strategic Rail Freight Park (3MG)	1.906	
- Widnes Waterfront	1.205	
- Castlefields	0.699	
- Local Strategic Plan Programme	0.598	
Landfill Tax Works	0.212	
Improvements to Allotments	0.069	4.689

#### *Disposal of Assets/Capital Receipts*

Land/Dwellings/Recovered Advances – the Council received £0.672m from the sale of land and various properties.

Under residual arrangements, the Council received £0.385m (£1.306m in 2007/08) from Halton Housing Trust for the sale of homes during the year, and a further £1.544m (£0.276m in 2007/08) under VAT Shelter arrangements.

## **Notes to the Core Financial Statements continued**

### **18(c) Contingent Liabilities – Contractual**

#### *Significant Contractual Commitments*

The liabilities are analysed below:

<b>Scheme</b>	<b>Purpose</b>	<b>Approx. Value £'000</b>	<b>Duration</b>
<b>Highways</b>			
A558/A56	Junction Improvement	1,300	1 month
Highway Improvement	Term Contract	1,000	1 year
<b>Property Services</b>			
Halton Lea Library	Refurbishment	717	5 months

### **18(d) Finance Leases**

There are no outstanding commitments.

### **18(e) Operating Leases**

Although not included on the Balance Sheet, the Council is required to disclose the rentals due next year analysed by the outstanding rental period.

	<b>2007/08 Other £</b>	<b>2008/09 Other £</b>
Less than 1 year	-	5,186
2 to 5 years	42,425	210,234
5 years plus	27,466	-
	<b>69,891</b>	<b>215,420</b>

## Notes to the Core Financial Statements continued

### 18(f) Information on Assets Held

The major fixed assets owned by the Council and included in the register are detailed below. The register has a de minimus level of £35,000.

#### *Operational Land and Buildings*

Assets used in the delivery of services to the public

Cemeteries	1	Admin. Buildings	7	Car Parks	5
Crematorium	1	Civic Centre/Theatre	1	Schools	53
Swimming Baths	1	Markets	2	Libraries	3
Leisure/Sports Centre	3	Learning Centres	1	Depots	3
Youth/Community Centres	10	Public Conveniences	2		
Play Centres	2	Social Service Buildings	14		
Gypsy Site	2	Community/Sports Stadium	1		

#### *Operational Equipment*

Variety of items, mainly computer equipment. The Councils vehicles are either leased or rented.

#### *Infrastructure Assets*

Laying out/improving land (including derelict land) for open space, town centre and highway use.

Roads	567.6km	Street Lighting Columns	19,500
Puffin Crossings	19	Bridges/Structures	275
Pelican Crossings	1	Traffic Signals	56
Toucan Crossings	4		

#### *Community Assets*

Land set aside for formal and informal recreation

Playing Fields	}	2,012 acres
Open Spaces		

#### *Non-Operational Assets*

Assets which are not involved in delivering services to the public.

Industrial Land	23.5 acres	Shops	6
Residential Land	72.5 acres	Industrial Estates	5
Commercial Land	13.0 acres	Miscellaneous Properties	20

## **Notes to the Core Financial Statements continued**

### **18(g) Method of Valuation**

#### **General**

The freehold and leasehold land and properties which comprise the Council's property portfolio were valued at 1<sup>st</sup> April 2009 by the Council's in house valuer Mr P O'Donnell BA (MRICS).

During the year a full revaluation of part of the portfolio took place as part of a rolling programme of revaluations. In view of the recent downturn in the economic environment a desktop review was undertaken on all other land and property assets.

The properties have been valued on the under mentioned basis in accordance with the CIPFA code Statement of Asset Valuation and Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

#### **Operational Assets**

##### *Land and Buildings*

Non specialised property is included at market value for the existing use. Specialised property is included on the basis of depreciated replacement cost.

##### *Community Assets*

This group includes parks, cemetery land, civic regalia and other identifiable assets held in perpetuity, usually at historical cost. The Council's civic regalia, paintings, artefacts and other items, either donated or purchased, were valued in August 2007 by Bonhams of Chester (auctioneers and valuers). They are included on the balance sheet at insurance valuations.

##### *Infrastructure*

This group of assets are included on the basis of historical cost in accordance with the guidelines contained in the RICS Appraisal and Valuation Standards.

##### *Vehicles, Plant and Equipment*

The majority of the Council's plant and equipment is included in the valuation of the buildings. The vehicles and other equipment are included at historical cost.

#### **Non-Operational Assets**

##### *Investments/Surplus*

This group contains the assets owned by the Council which are not directly involved in the delivery of a service. They are included at market value.

## Notes to the Core Financial Statements continued

### 18(g) Method of Valuation (continued)

#### *Under Construction/Development*

These schemes are held temporarily on the Balance Sheet at historical cost, until the asset is completed, when it is replaced with a formal valuation.

#### *Intangible*

This group consists of mainly software licences for computer systems held at historical cost.

#### **Revaluations**

Assets are subject to an annual impairment check.

A proportion of the assets will be subject to revaluation each year to allow for the workload of revaluation to be more evenly spread and the balance sheet to be more accurate. Each asset will be revalued over a 5 year cycle.

### 19. Intangible Assets

	<b>Balance at 1st April 2008</b>	<b>Expenditure</b>	<b>Amounts amortised</b>	<b>Balance at 31st March 2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Software Licences	1,797	1,310	(651)	2,456

The reclassification required by the Statement of Recommended Practice highlighted the need to show separately a new category of intangible assets. The Council has identified various software licences which fall within this category. Also see Note 18(a) to the balance sheet.

### 20. Investments

The investments consist of:

	<b>Balance at 31/03/08 £'000</b>	<b>Balance at 31/03/09 £'000</b>
Halton Borough Transport Ltd.		
– Share Capital	430	430
– Debenture	60	53
Halton Development Partnership Limited – de minimus	-	-
Widnes Regeneration Limited – de minimus	-	-
	<b>490</b>	<b>483</b>

## Notes to the Core Financial Statements continued

### 20. Investments (continued)

Halton Borough Transport Ltd was set up in October 1986 as a public transport undertaking, with an issued share capital of £430,100, wholly owned by Halton Borough Council. The debenture is currently being repaid with interest at a rate of £7,000 per annum. Extracts from their accounts are detailed below:

	<i>Year to 31st March 2008 £'000</i>	<i>Year to 31st March 2009 £'000</i>
<b>Profit and Loss Account</b>		
Turnover	(4,750)	(5,414)
Operating and Other Expenditure	4,650	5,273
Net (Profit)/Loss (before Dividend)	(100)	(141)
Dividend due to Borough Council	(100)	(100)
<b>Balance Sheet as at 31st March</b>		
Fixed Assets	2,820	3,005
Current Assets less Current Liabilities	(886)	(949)
Net Current Assets	1,934	2,056
Long Term Liabilities	(549)	(651)
Provisions for Liabilities and Charges	(146)	(136)
Pension Scheme Liability	(14)	(810)
	<b>1,225</b>	<b>459</b>
Represented by:		
Share Capital	(430)	(430)
Profit and Loss Account	(795)	(29)
	<b>(1,225)</b>	<b>(459)</b>

The undertaking received an unqualified audit opinion for the year ended 31st March 2009.

Further details can be obtained from Halton Borough Transport Limited, Moor Lane, Widnes. Telephone: 0151-423-3333.

## Notes to the Core Financial Statements continued

### 21. Stocks and Work in Progress

	<i>31st March 2008</i> £'000	<i>31st March 2009</i> £'000
Catering – Bars – Provisions	130	159
Other	121	170
Railcards	10	10
	<b>261</b>	<b>339</b>

### 22. Debtors

	<i>31st March 2008</i> £'000	<i>31st March 2009</i> £'000
<i>Short Term</i>		
Non Domestic Rates	976	2,031
Council Tax	3,141	3,354
Summons Costs	333	370
Central Government	3,343	7,602
General	12,627	18,899
	<i>20,420</i>	<i>32,256</i>
Less Provision for Non-Payment	<i>(6,735)</i>	<i>(7,988)</i>
	<b>13,685</b>	<b>24,268</b>
<i>Long Term</i>		
Mortgagors – Council House Sales	65	47
Housing Associations	1,130	1,115
Other	609	410
	<b>1,804</b>	<b>1,572</b>

## Notes to the Core Financial Statements continued

### 23. Creditors

	<i>31st March 2008</i> £'000	<i>31st March 2009</i> £'000
Government Departments	(559)	(1,175)
Payroll Related	(3,442)	(3,353)
Land Sale Deposits	(99)	(99)
Capital	(1,993)	(1,117)
Credit Balances, Council Tax and NDR	(623)	(1,466)
Invoices in Payment Process	(4,169)	(5,890)
Late Invoices and Accruals	(9,588)	(9,794)
	<b>(20,473)</b>	<b>(22,894)</b>

### 24. Deferred Capital Receipts

Deferred Capital Receipts are amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of council houses, which form the main part of the mortgages under long term debtors.

	<i>31st March 2008</i> £'000	<i>31st March 2009</i> £'000
Mortgages – Former Right to Buy	(65)	(47)
– Housing Associations	(1,130)	(1,115)
– Castlefield Equity Advances	(266)	(266)
– Other	(1)	-
	<b>(1,462)</b>	<b>(1,428)</b>

### 25. Provisions

Other than the normal provision against bad debt shown deducted from debtors under Note 22, the Council held no specific provisions at 31<sup>st</sup> March 2009.



## Notes to the Core Financial Statements continued

### 26. Reserves

In addition to general reserves the Council holds the following more specific reserves:

	<b>Opening Balance 01/04/2008 £'000</b>	<b>£'000</b>	<b>£'000</b>	<b>Closing Balance 31/03/2009 £'000</b>
		<b>Alienations</b>	<b>Revaluations</b>	
Revaluation Reserve This account holds the effect of any revaluations since the 1 <sup>st</sup> April 2007	(4,557)	-	(16,118)	(20,675)
		<b>Movement</b>		
Financial Instruments Adjustment Account This account records the difference between the historical cost of an instrument and its carrying value as the 31 <sup>st</sup> March	(431)	(1,426)		(1,857)
		<b>Movement</b>		
Capital Adjustment Account This account reflects the transactions in year relating to the financing of assets.	(208,997)	48,042		(160,955)
		<b>Receipts</b>	<b>Financing</b>	
Capital Receipts Reserve This account shows the value of unused capital receipts available to help finance the capital programme.	(15,112)	(2,607)	5,834	(11,885)

Significant Movements on General Reserves:

Capital – the reserve has been increased to help with funding the capital programme in future years.

Invest to Save – the reserve has been increased to help to meet the upfront costs of implementing schemes that will reduce future revenue costs.

Supporting People – the reserve has been increased to continue to fund future schemes to help people within the community.

Building Schools for the Future – funding has been returned to revenue and has been spent on the Building Schools for the Future programme by the Childrens and Education Service.

## Notes to the Core Financial Statements continued

### 26. Reserves (continued)

The Council maintains the following Reserves:

	1st April 2008 £'000	Movement in year £'000	31st March 2009 £'000
Capital (to support Capital Programme)	(3,882)	(864)	(4,746)
Insurance General Fund (to meet future claims not covered by insurance)	(3,789)	378	(3,411)
Insurance Former HRA Properties (to offset pre LSVT claims)	(1,508)	57	(1,451)
Performance Grant (earmarked to support 2009/10 Revenue Budget)	-	(250)	(250)
Sports Development (To support the ongoing development of Halton sports)	-	(71)	(71)
Working Neighbourhoods Fund (earmarked to support 2009/10 Revenue Budget)	-	(415)	(415)
C&YP Carry Forward (used to support 2008/09 Revenue Budget)	(350)	350	-
Business Link (returned monies following the wind-up of Business Link)	(14)	-	(14)
Revenue Priorities Fund (earmarked funding carried forward)	(357)	(258)	(615)
Landfill Usage (notional value of unused allowance)	(147)	147	-
Health is Wealth (to improve the health and well being of people in the region)	(10)	10	-
Invest to Save (to fund investments in revenue saving initiatives)	(1,018)	(1,700)	(2,718)
Major Project Fees (to fund future major project implementation costs)	(117)	27	(90)
Neighbourhood Management (earmarked to fund future project costs)	(210)	(23)	(233)
Halton Castle Duchy of Lancaster (Halton Castle Restoration Project)	(116)	12	(104)
Supporting People (earmarked to fund future schemes)	(521)	(1,056)	(1,577)
Building Schools for the Future (to fund future implementation costs)	(2,203)	770	(1,433)
Halton Safeguarding Children Board (earmarked partnership contributions towards safeguarding of Halton children)	(100)	19	(81)
Alliance Board (earmarked contributions to implement the C&YP plan)	(72)	72	-
CYPD CAMHs & Care Matters (Grant to be utilised in 2009/10)	(3)	(127)	(130)
Enterprise and Employment (to fund E&E activities for future years)	(1,443)	(224)	(1,667)
Health & Community (to support the 2009/10 revenue budget)	(750)	54	(696)
Mersey Gateway (to fund future planning work re Mersey Gateway)	(400)	73	(327)
Core Strategy (to fund Local Development Framework Core Strategy Costs)	(250)	-	(250)

(continued over leaf)

## Notes to the Core Financial Statements continued

### 26. Reserves (continued)

	<b>1st April 2008 £'000</b>	<b>Movement in year £'000</b>	<b>31st March 2009 £'000</b>
Equal Pay (To fund any costs arising from equal pay claims)	(2,500)	1	(2,499)
Housing Planning Delivery Grant (to fund on-going projects)	-	(35)	(35)
Growth Points (to fund future initiatives to be identified by the Growth Points partnership)	-	(146)	(146)
PCT Drug Treatment (Funding for drug and alcohol misuse treatment)	-	(583)	(583)
Olympic Legacy Fund (To support the on-going development of sports in Halton)	-	(109)	(109)
Arts Development Strategy Fund (To support the medium term arts development strategy)	-	(125)	(125)
<b>Total All Reserves</b>	<b>(19,760)</b>	<b>(4,016)</b>	<b>(23,775)*</b>

### 27. Deferred Liabilities

This balance represents cash received from developers to help the Council improve or enhance its assets, usually in conjunction with new developments.

	<b>Balance at 31st March 2008 £'000</b>	<b>Balance at 31st March 2009 £'000</b>
Private Developers Transferred Liabilities – Latent Liabilities	(2,981)	(1,760)
	<b>(2,981)</b>	<b>(1,760)</b>

Any sums received against future maintenance liabilities are now permanently set aside each year. In 2008/09 £0.1m was set aside.

### 28. Contingent Liabilities – Other

Under the tripartite Local Government Finance Treasurers' Agreement signed by Cheshire County Council, Halton Borough Council and Warrington Borough Council, the County Council had set aside a sum to meet claims against the County relating to events prior to 1st April 1998 which may come to light in the future.

The remaining balances were fully distributed during 2008/09 leaving £0 (31.3.08 £7.288m)

## Notes to the Core Financial Statements continued

### 28. Contingent Liabilities – Other continued

The Council has completed its pay and grading review of relative staff responsibilities/ remuneration levels as a result of the Job Evaluation Single Status agreement 1997. This exercise is currently subject to the appeals procedure and potential equal pay claims, and as such it is difficult to estimate the level of any future liabilities.

#### *Legal Claims*

There are currently no legal claims of significant amounts outstanding.

### 29. Post Balance Sheet Events

There were no significant post balance sheet events.

The accounts were authorised for issue on the 3<sup>rd</sup> August 2009 by the Operational Director – Financial services. They were re-authorised on 22<sup>nd</sup> September 2009 following the inclusion of prior year adjustments and this is the date to which post balance sheet events have been considered.

### 30. Long Term Borrowing

	<b>Outstanding at 31st March 2008 Restated £'000</b>	<b>Outstanding at 31st March 2009 £'000</b>
Source of Loans:		
Public Works Loan Board	(8,607)	(8,378)
Europaische Hypothekenbank	(11,215)	(10,924)
	<b>(19,822)</b>	<b>(19,302)</b>
Analysis of Loans by Maturity:		
Maturing in 1-2 years	-	-
Maturing in 2-5 years	-	-
Maturing in 5-10 years	-	-
Maturing in more than 10 years	(19,822)	(19,302)
	<b>(19,822)</b>	<b>(19,302)</b>

## Notes to the Core Financial Statements continued

### 31. Analysis of Net Assets Employed

The net assets represent the aggregate of reserves (both capital and revenue) attributable to the General Fund, Collection Fund and Schools. This is the total equity of the Council.

	<b>31st March 2008</b> <b>£'000</b> <b>Restated</b> <b>(223,302)</b>	<b>31st March 2009</b> <b>£'000</b>
Total Equity		(146,077)
Analysis:		
General Fund	(218,047)	(140,995)
Collection Fund (in trust)	(616)	(691)
Schools	(4,639)	(4,391)
	<b>(223,302)</b>	<b>(146,077)</b>

### 32. Trust Funds

The Council acts either in its own right or with others as Trustees of various funds. In turn, these funds may have been established either for charitable or non-charitable purposes.

This note is a requirement of the Accounting Code of Practice to demonstrate the disclosure of the Council's stewardship and Trustee responsibilities. None of the funds represent assets of the Council and they have not been included in the Council's Income and Expenditure Account or Balance Sheet.

The Council acts as sole Trustee for two trust funds, and as one of several Trustees for a further seven funds.

## Notes to the Core Financial Statements continued

### 32. Trust Funds (continued)

		31.3.08	Expenditure/ Payments	Income/ Receipts	31.3.09
		£	£	£	£
<b>(A) Funds for which the Council acts as sole Trustee</b>					
<b>Social Services Special Funds</b> At 31st March the Council was acting as a Trustee for various Social Services clients	Balance	1,533,222			1,829,235
<b>Public Health (Control of Disease) Act 1984</b> At 31st March the Council was holding various sums under the above Act in respect of public funds	Balance	18,615			18,615
<b>(B) Funds where the Council doesn't have sole control</b>					
<u>Registered Charities</u>					
<b>Knights House Charity</b> Objective: To assist the needy in the Widnes area Charity No. 218886	Assets Liabilities	427,029 (319,104)			279,609 (177,493)
		107,925	(18,783)	12,973	102,116
<b>Runcorn General War Relief Fund</b> Objective: To assist the needy in the Runcorn area Charity No. 505396	Assets Liabilities	32,006 (16,222)			31,247 (15,922)
		15,784	(994)	535	15,325
<b>Widnes Educational Foundation</b> Objective: To assist in education opportunities for students in Widnes Charity No. 526510	Assets Liabilities	23,728 (20,893)			17,944 (14,896)
		2,835	(810)	1,022	3,047
<u>Other</u>					
<b>Norton Priory Museum</b> This is a registered charity which has surplus cash and a Walled Garden Fund held by the Borough Council	Balance	447,479			459,243
<b>Other Social Services Funds</b> The Council holds various sums on a voluntary basis for clients. The funds are mainly used to assist in providing recreational activities	Balance	111,362			94,096
<b>Other Childrens Funds</b> The Council holds various sums on a voluntary basis for clients. The funds are mainly used to assist in providing recreational activities	Balance	13,285			2,654
<b>Education Welfare Trust</b> The Council holds a small sum on a voluntary basis from various fundraising activities. The funds are used to pay for additional educational activities	Balance	784			784

## **Notes to the Core Financial Statements continued**

### **33. Disclosure of Net Pensions Asset/Liability**

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their entitlement.

The Council participates in two pension schemes, both of which offer defined benefits:

The Local Government Pension Scheme administered by Cheshire County Council (now Cheshire West and Chester) – This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

The Teachers Pension Scheme – This is a centralised scheme administered by Teachers Pension Agency. Although the scheme is unfunded, the Agency uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Education Authorities.

#### **Local Government Pension Scheme**

##### *Change of Accounting Policy*

Under the 2008 Statement of Recommended Practice the Council has adopted the amendment to FRS 17. As a result, quoted securities held as assets in the defined benefit pensions scheme are now valued at bid price rather than mid-market value. The effect of the change is that the value of scheme assets at 31 March 2008 has been restated from £258m to £257m, a decrease of £1m, resulting in an increase of the pension deficit to £39m (31 March 2007: increase of £1m to £61m). Current and prior year surplus have been unaffected by this change.

##### *Transactions Relating to Retirement Benefits*

In 2008/09 the Council paid an employer's contribution to the Cheshire Pension Fund of £10,602,747 (£9,906,380 in 2007/08), representing 18.6% (18.3% in 2007/08) of pensionable pay.

The Council has also made payments to fund the cost of discretionary retirement benefits paid to employees who retire on the grounds of redundancy or in the efficiency of the service. The cost of these payments are detailed below, as impact of settlements and curtailments under the heading Movement in Net Pension Liability.

The cost of retirement benefits is shown in the Net Cost of Services when they are earned by employees, rather than when the benefits eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on the General Fund. The following transactions have been made in the Income & Expenditure Account and Statement of Movement in the General Fund during the year:

## Notes to the Core Financial Statements continued

### 33. Disclosure of Net Pensions Asset/Liability (continued)

	<b>2007/08 Restated £'000</b>	<b>2008/09 £'000</b>
<b>Income and Expenditure Account</b>		
<b>Net Cost of Services</b>		
Current Service Costs	9,969	7,438
Past Service Costs	869	2,865
Impact of Settlements of Curtailments	-	5
<b>Net Operating Expenditure</b>		
Interest Costs	18,119	20,590
Expected Return on Assets of the Scheme	(19,825)	(18,509)
<b>Net Charge to the Income and Expenditure Account</b>	<b>9,132</b>	<b>12,389</b>
<b>Statement of Movement on the General Fund:</b>		
Reversal of net charges made for retirement benefits in accordance with FRS 17	(9,132)	(12,389)
<b>Actual amount charged against the General Fund for pensions in the year:</b>		
Employers' contributions payable to scheme	10,755	11,239

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and (losses) of (£46.095m), (£19.866m 2007/08 restated) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and (losses) recognised in the Statement of Recognised Gains and Losses is (£39.234m).

#### *Assets and Liabilities in Relation to Retirement Benefits*

Reconciliation of present value of the scheme liabilities

	<b>2007/08 Restated £'000</b>	<b>2008/09 £'000</b>
1 April	333,600	296,756
Current service cost	9,969	7,438
Interest Cost	18,119	20,590
Contributions by scheme participants	3,271	3,663
Actuarial gains and losses	(58,830)	(28,428)
Losses / (gains) on curtailments	-	5
Benefits Paid	(10,242)	(10,624)
Past service costs	869	2,865
31 March	<b>296,756</b>	<b>292,265</b>



## Notes to the Core Financial Statements continued

### 33. Disclosure of Net Pensions Asset/Liability (continued)

Reconciliation of fair value of the scheme assets:

	<b>2007/08 Restated £'000</b>	<b>2008/09 £'000</b>
1 April	272,855	257,500
Expected rate of return	19,825	18,509
Actuarial gains and losses	(38,964)	(74,523)
Employer contributions	10,755	11,239
Contributions by scheme participants	3,271	3,663
Benefits Paid	(10,242)	(10,624)
31 March	<b>257,500</b>	<b>205,764</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £56.232m (2007/08: £12.609m).

#### *Scheme History*

	<b>2004/05*</b>	<b>2005/06*</b>	<b>2006/07 Restated £'000</b>	<b>2007/08 Restated £'000</b>	<b>2008/09 £'000</b>
Present value of liabilities	(273,700)	(332,100)	(333,600)	(296,756)	(292,265)
Fair value of assets	194,000	252,250	272,855	257,500	205,764
Surplus/(deficit) in scheme	(79,700)	(79,850)	(60,745)	(39,256)	(86,501)

\*The council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS 17.

The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. The total liability of £292m has a substantial impact on the net worth of the council as recorded in the Balance Sheet, resulting in a negative overall balance of £86m.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

## Notes to the Core Financial Statements continued

### 33. Disclosure of Net Pensions Asset/Liability (continued)

The total contributions expected to be made to the scheme by the Council in the year to 31 March 2010 is £10.68m.

#### *Basis for Estimating Assets and Liabilities*

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the pension fund being based on the latest full valuation of the scheme at 1 April 2007. The next valuation is due at 31 March 2010.

The principal assumptions used by the actuary have been:

	<b>2007/08</b>	<b>2008/09</b>
Long-term expected rate of return on assets in the scheme:		
Equity Investments	7.7%	7.0%
Bonds	5.7%	5.4%
Property	5.7%	4.9%
Cash	4.8%	4.0%
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men		19.6 years
Women		22.5 years
Longevity at 65 for future pensioners:		
Men		20.7 years
Women		23.6 years
Rate of inflation	3.6%	3.1%
Rate of increase of salaries	5.1%	4.6%
Rate of increase of pensions	3.6%	3.1%
Rate for discounting scheme liabilities	6.9%	6.9%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

The scheme's assets consist of the following categories, by proportion of the total assets held:

	<b>31/03/2008</b>	<b>31/03/2009</b>
	<b>%</b>	<b>%</b>
Equity Investments	72	68
Bonds	13	17
Property	10	8
Cash	5	7
	<b>100</b>	<b>100</b>

## Notes to the Core Financial Statements continued

### 33. Disclosure of Net Pensions Asset/Liability (continued)

#### *History of experience gains and losses*

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

	2004/05*	2005/06*	2006/07 <i>Restated</i>	2007/08 <i>Restated</i>	2008/09
Differences between expected and actual return on assets	% N/A	% N/A	% N/A	% 2.43	% (12.91)
Experience gains and losses on liabilities	1.79	0.10	0.05	0.69	0.00

Further information can be found in Cheshire County Council's Pension Fund's Annual Report which is available from County Hall, Chester, CH1 1SG. Following reorganisation Cheshire County Council is now Cheshire West and Chester Council.

#### **Teachers Pension Scheme**

##### *Defined Contribution Scheme*

In 2008/09, the Council paid an employer's contribution to the Teachers Pension Agency of £5,178,467 (£5,118,313 2007/08) in respect of teachers' pension costs. The contribution rate was 14.1% (14.1% in 2007/08) of teachers' pensionable pay.

The scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purpose of the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution pension scheme.

The Council is responsible for any additional benefits granted upon early retirement, outside the standard terms of the scheme. For the year 2008/09 the cost was £88,892 (2007/08 £100,549).

### 34. Financial Instruments

#### **Fair Value**

The SORP requires that each class of financial asset and liability should disclose the "fair value" in a way that permits it to be compared with its carrying amount, as well as the method used in determining such fair values. The Council has used Sector, its treasury management advisors to calculate these values and they have based the calculation on the appropriate PWLB rate for new loans at the 31<sup>st</sup> March 2009.

## Notes to the Core Financial Statements continued

### 34. Financial Instruments (continued)

#### Credit Risk

The main credit risk for the Council arises from the placing of cash on deposit with banks and other financial institutions. There is minimal exposure with the Council's customers. To minimise the risk associated with cash deposits, they are made in accordance with an 'Approved List of Counterparties'. This list was established as one of a series of controls recommended by the CIPFA Code of Practice on Treasury Management which the Council has adopted. An annual Investment Strategy and regular review of the Counterparty List helps to minimise the risk.

It is difficult to assess in financial terms the exposure of the Council to non repayment of its investments, as there are so few examples of major financial institutions failing. However, recent events have highlighted that despite their financial size and prior healthy credit rating institutions can be vulnerable and can fail, so there is most definitely a risk. The table below uses a nominal risk level of 0.5% to calculate a potential loss in the area.

During the year the Council complied fully with the requirements laid out in the code and no counterparty indicated any problem with repaying an investment

The counterparties on the Council's list are grouped and ranked by a mixture of credit ratings and size and are set out below;

Maximum Deposit per Institution for placing > 3 months £M	Organisation	Rating	Exposure at 31/03/2009 £'000
7.50	Banks	Rated AA or better	-
5.00		Below AA	7,500
7.50	Building Societies	>£10bn	17,500
5.00		>£5bn<£10bn	7,500
2.50		>£1bn<£5bn	6,500
5.00	Other Local Authorities		-
2.50	Debt Management Office (Government)		-
		<b>Total</b>	<b>39,000</b>

The counterparties on the list are under constant assessment using a variety of sources including rating agencies and professional advice

The following analysis attempts to summarise the potential exposure to credit risk based on experience of default and uncollectability over the past few years.

## Notes to the Core Financial Statements continued

### 34. Financial Instruments (continued)

	<b>Amount Outstanding 31/03/08 £'000</b>	<b>Amount Outstanding 31/03/09 £'000</b>	<b>Historical Debt Default %</b>	<b>Estimated Maximum Exposure 31/03/09 £'000</b>
<b>Deposits with Banks</b>	10,000	7,500	0.50	37.50
<b>Deposits with Building Societies</b>	31,000	31,500	0.50	157.50
<b>Customers/Clients</b>	4,141	5,879	2.50	146.98
				<b>341.98</b>

All Treasury Management indicators were complied with and none of the counterparties had any difficulty in repaying their liabilities. There has been no impairment of any financial assets during the course of the year. Several organisations either merged or had to seek government support to strengthen their balance sheets during the year. The Council did not have any exposure to the Icelandic banks the collapsed in October 2008. The Council does not anticipate any losses due to non-performance of its counterparties.

The council does not allow credit for customers (except in certain statutory situations) and £2.606m of the £5.879m customer/client debt shown above is overdue. An analysis of the debt is shown below:

	<b>31/03/08 £'000</b>	<b>31/03/09 £'000</b>
<b>Less than 3 months</b>	2,113	3,273
<b>3 to 6 months</b>	463	347
<b>6 months to 1 year</b>	372	978
<b>Over 1 year</b>	1,193	1,281
	<b>4,141</b>	<b>5,879</b>
Provision for non payment	(3,674)	(3,749)

### Liquidity Risk

The Council has access to borrowings from the Public Works Loan Board (PWLB), and as such is under no significant risk that it is unable to raise finance to meet its financial commitments under financial instruments. However, there is a risk attached to the maturity profile of its borrowing and lending and what rates are prevailing at the time they fall due to be replaced. Halton's current position has arisen due to the housing stock transfer in 2005. As a result of the transfer the Council's debt reduced from £40m to £10m. The post transfer debt being held in one financial instrument for £10m under a lender's option borrower's option (LOBO) arrangement. Under this instrument the lender can exercise every 6 months a review of the interest rate and if the council did not agree with the rate a repayment would then be made. This effectively left the council with the potential for 100% of its debt being repaid at short notice. Since the transfer the Council has only undertaken one new long term borrowing commitment for an additional £10m repayable in 50 years time. This has reduced the volatility to 50%.

## Notes to the Core Financial Statements continued

### 34. Financial Instruments (continued)

Further borrowings, subject to strategy will reduce this risk to a more manageable level.

The maturity analysis of financial liabilities is as follows;

	<b>31/03/08</b>	<b>31/03/09</b>
	<b>£'000</b>	<b>£'000</b>
Less than 1 year	24,999	39,345
Between 1 and 2 years	70	317
Between 2 and 5 years	120	560
Over 5 years	20,000	20,000
	<b>45,189</b>	<b>60,222</b>

All trade and other payables are due to be paid in less than one year.

### Market Risk

#### Interest Rate Risk

The Council is exposed to interest rate movements; they can have a complex impact. For example a rise in interest rates would have the following effects:

Borrowing variable rates: interest charged to I&E will rise

Borrowing fixed rates: fair value of liabilities will fall

Investment variable rates: interest credited to I&E will rise

Investment fixed rates: fair value of asset will fall.

Nominal gains or losses on fixed rate borrowings do not impact on the Income and Expenditure account. However changes to interest payable and receivable on variable rate borrowings and investments are posted to the Income and Expenditure account and affect the General Fund balance £ for £. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Statement of Recognised Gains and Losses.

The Treasury Management Strategy adopted for the year as part of the code of practice addresses this risk with recommendations for levels of volatility for both long and short term borrowing and lending.

According to this assessment strategy at 31<sup>st</sup> March 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be;

	<b>£'000</b>
Increase in interest payable on variable rate borrowings	76
Increase in interest receivable on variable rate investments	(471)
Impact upon Income and Expenditure Account	<b>(395)</b>

## Notes to the Core Financial Statements continued

### 34. Financial Instruments (continued)

#### Price Risk

The Council does not have any holdings in investments which would be subject to potential gains and losses based on market volatility, an example of which would be shares traded on the equity market.

#### Foreign Exchange Risk

The Council has no assets or liabilities denominated in foreign currencies and thus has no exposure to loss from movement in exchange rates.

#### Other Financial Instruments

The Council does not hold any instruments under the following headings: available for sale, impaired or uncollectable assets, hedge funds, derecognised assets, financial guarantee contracts or assets pledged as collateral.

#### Financial Instrument Balances

The assets and liabilities disclosed in the balance sheet are made up of the following categories of financial instruments:

<i>Long Term 31/03/2008 £'000 Restated</i>	<i>Current 31/03/2008 £'000 Restated</i>		<i>Long Term 31/03/2009 £'000</i>	<i>Current 31/03/2009 £'000</i>
		Financial Liabilities at Amortised Cost		
(20,000)	(6,000)	-Loans	(20,000)	(20,700)
-	(17,282)	-Other Current Liabilities	-	(19,493)
<b>(20,000)</b>	<b>(23,282)</b>	<b>Total Liabilities</b>	<b>(20,000)</b>	<b>(40,193)</b>
		Loans and Receivables		
-	41,000	-Investments	-	39,000
1,804	10,389	-Current Assets		16,716
-	-	-Long Term Debtors	1,572	
-	-	Available-for-Sale Financial Assets	-	-
		Unquoted Equity Investment at Cost	-	-
<b>1,804</b>	<b>51,389</b>	<b>Total Investments</b>	<b>1,572</b>	<b>55,716</b>

## Notes to the Core Financial Statements continued

### 34. Financial Instruments (continued)

#### Fair Values

#### Fair Values of Financial Liabilities

Carrying value includes accrued interest;

<b>Carrying Value</b>	<b>Fair Value</b>		<b>Carrying Value</b>	<b>Fair Value</b>
<b>31/03/2008</b>	<b>31/03/2008</b>		<b>31/03/2009</b>	<b>31/03/2008</b>
<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
(10,069)	(8,607)	Long Term	(10,069)	(8,378)
(10,067)	(11,215)	-PWLB	(10,065)	(10,924)
-	-	-Market		
(6,001)	(6,001)	Short Term	(10,134)	(10,266)
(17,282)	(17,282)	-PWLB	(10,701)	(10,701)
		-Other Loans	(19,493)	(19,493)
		-Creditors and Cash Overdrawn		
<b>(43,419)</b>	<b>(43,105)</b>	<b>Total</b>	<b>(60,462)</b>	<b>(59,762)</b>

Where the fair value at 31<sup>st</sup> March is more than the carrying amount it is because the loans include fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date.

#### Fair Values of Financial Assets

Carrying value includes accrued interest;

<b>Carrying Value</b>	<b>Fair Value</b>		<b>Carrying Value</b>	<b>Fair Value</b>
<b>31/03/2008</b>	<b>31/03/2008</b>		<b>31/03/2009</b>	<b>31/03/2009</b>
<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
42,590	42,707	Investments	40,156	41,720
12,193	12,193	Debtors and Petty Cash	18,288	18,288
<b>54,783</b>	<b>54,900</b>	<b>Total</b>	<b>58,444</b>	<b>60,008</b>

The fair value of the investments is higher than the carrying amount because the investments include a number of fixed rate deposits where the interest rate receivable is higher than the rates available for similar investments at the balance sheet date.



## Notes to the Core Financial Statements continued

### 34. Financial Instruments (continued)

#### Financial Instrument Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets		Total £'000
	Liabilities measured at amortised cost £'000	Loans and Receivables £'000	Available-for-sale Assets £'000	
Interest Expense	865	-	-	865
Losses on Derecognition	-	-	-	-
Impairment Losses	-	-	-	-
<b>Interest Payable and Similar Charges</b>	<b>865</b>	<b>-</b>	<b>-</b>	<b>865</b>
Interest Income	-	(2,983)	-	(2,983)
Gains on Derecognition	-	-	-	-
<b>Interest and Investment Income</b>	<b>-</b>	<b>(2,983)</b>	<b>-</b>	<b>(2,983)</b>
Gains on Revaluation	-	-	-	-
Losses on Revaluation	-	-	-	-
Amounts Recycled to the I&E Account after Impairment	-	-	-	-
<b>Surplus arising on Revaluation of Financial Assets</b>			<b>-</b>	
<b>Net Gain/(Loss) for the Year</b>	<b>865</b>	<b>(2,983)</b>	<b>-</b>	

### Cashflow Statement

#### 35. Other Revenue Government Grants (by Directorate)

	2007/08 £'000 <i>Restated</i>	2008/09 £'000
Adult Social Care	(8,116)	(5,081)
Corporate & Democratic Core	(425)	(713)
Central Services	(1,086)	(1,020)
Cultural, Environmental & Planning	(5,251)	(5,708)
Children's & Education Services	(113,151)	(110,064)
Highways Roads & Transport	(1,010)	(1,163)
Housing	(10,886)	(12,664)
European Regional Development Fund	(1,711)	(3,079)
Single Regeneration Budget	(3)	(1)
	<b>(141,639)</b>	<b>(139,491)</b>

## Notes to the Core Financial Statements continued

### 36. Reconciliation of Deficit to Net Revenue Cashflow

	<b>2007/08</b> <b>£'000</b> <b>Restated</b>	<b>2008/09</b> <b>£'000</b>	<b>2008/09</b> <b>£'000</b>
Surplus/(Deficit) for Year	(126)		63
Non Cash Transactions			
Minimum Revenue Provision	1,222	1,546	
Contribution to/from Reserves	900	4,016	
Movement on Provisions	472	-	
Other	(444)	(1,904)	3,658
Items on Accruals Basis			
Decrease in Creditors	(2,185)	1,556	
Decrease in Stocks/WIP	15	(78)	
Decrease in Debtors	2,318	(6,752)	(5,274)
Other Items in Statement			
Loan Transactions	(1,109)		(2065)
<b>Revenue Activities Net Cashflow</b>	<b>1,063</b>		<b>(3,618)</b>

### 37. Reconciliation of Financing, Liquid Resources, Cash and Cash Equivalents

	<b>31.3.08</b> <b>£'000</b> <b>Restated</b>	<b>31.3.09</b> <b>£'000</b>	<b>Movement</b> <b>£'000</b>
<i>Balance Sheet Movements</i>			
Lending	41,000	39,000	2,000
Borrowing – Long Term	(20,000)	(20,000)	-
– Short Term	(6,000)	(20,700)	14,700
Cash at Bank	(763)	(1,033)	270
	<b>14,237</b>	<b>(2,733)</b>	<b>16,970</b>
<i>Cashflow Statement Balances</i>			
Management of Liquid Resources			2,000
Financing			14,700
(Increase)/Decrease in Cash and Cash Equivalents			270
			<b>16,970</b>

Liquid resources have been defined as short term investments that are disclosed on the face of the balance sheet.

## Notes to the Core Financial Statements continued

### 38. Prior Year Adjustments

#### 1. Mersey Gateway Project

The Council has reviewed the costs it has incurred in preparing for the Mersey Gateway project. As a result of this exercise the Council has identified that £8.43m of expenditure previously charged to capital in 2006/07 and 2007/08 and included in the fixed assets as infrastructure costs, should have been charged to the Income and Expenditure Account as revenue expenditure. The Council has decided that this needs to be adjusted for by a prior year adjustment. The Council has also taken steps to amend the funding of its capital programme to mitigate the impact on the General Fund balance.

#### 2. Voluntary Aided Schools

During a review of its assets it was discovered that certain schools which operate under the heading of Voluntary Schools were disclosed in the accounts as if the buildings were owned by the Council. After further investigation it was found that Cheshire County Council had transferred the ownership of the buildings to the Trustees/Diocese prior to the 1998 reorganisation but had not amended the valuations passed to the Council. It has therefore been decided that the buildings should be excluded from the Councils fixed asset holdings. Because of the size of the adjustment (£11.42m) the Council has decided that a prior period adjustment is required.

#### 3. Long Term Borrowing

The Council has reclassified a loans on it's balance sheet from temporary loans to long term borrowing at a fair value of £11.2m.

#### 4. Cash Flow Statement

The statement has been recast to correct an error which moves £8m from financing to revenue activities.

#### Extract from Income & Expenditure Account

<i>Net Expenditure Previously Stated</i> <i>2007/08</i> <i>£'000</i>	<i>Net Expenditure Revised</i> <i>2007/08</i> <i>£'000</i>		<b>Gross Expenditure</b> <b>2008/09</b> <b>£'000</b>	<b>Gross Income</b> <b>2008/09</b> <b>£'000</b>	<b>Net Expenditure</b> <b>2008/09</b> <b>£'000</b>	<b>Net Expenditure Previously Stated</b> <b>2008/09</b> <b>£'000</b>
26,665	26,290	Children's & Education	164,409	(115,908)	48,501	50,048
14,247	19,055	Highways and Transport	20,791	(4,860)	15,931	16,259
105,617	110,050	Net Cost of Services	398,236	(232,073)	166,163	167,849
3,673	8,106	(Surplus)/Deficit for Year			48,749	50,435

## Notes to the Core Financial Statements continued

### 38. Prior Year Adjustments continued.

#### Extract from Statement on the General Fund Balance

<i>Previously Stated 2007/08 £'000</i>	<i>Revised 2007/08 £'000</i>		<i>Previously Stated 2008/09 £'000</i>	<i>Revised 2008/09 £'000</i>
3,673	8,106	(Surplus)/Deficit for Year on General Fund	50,435	48,749
(3,965)	(8,398)	Net Additional Amount Require by statute	(50,124)	(48,438)
126	126	Increase/Decrease in General Fund Balance for Year	63	63

#### Extract from Total Recognised Gains and Losses

<i>Previously Stated 2007/08 £'000</i>	<i>Revised 2007/08 £'000</i>		<i>Previously Stated 2008/09 £'000</i>	<i>Revised 2008/09 £'000</i>
3,673	8,106	(Surplus)/Deficit for Year	50,435	48,749
(22,345)	(17,912)	Total Recognised (Gains)/Losses for the Year	78,712	77,225

#### Extract from Balance Sheet

<i>Previously Stated 2007/08 £'000</i>	<i>Revised 2007/08 £'000</i>		<i>Previously Stated 2008/09 £'000</i>	<i>Revised 2008/09 £'000</i>
328,190	307,233	Net Fixed Assets	310,149	291,102
(17,216)	(6,001)	Temporary Loans	-	-
(8,607)	(19,822)	Long Term Borrowing	-	-
(44,286)	(41,019)	Government Grants Deferred	(52,077)	(49,044)
240,992	223,302	Total Assets Less Liabilities	162,280	146,077
(226,687)	(208,997)	Capital Adjustment Account	(176,770)	(160,955)
(4,557)	(4,557)	Revaluation Reserve	(20,874)	(20,675)
(10,182)	(15,112)	Capital Receipts Unapplied	(6,955)	(11,885)
(24,690)	(19,760)	Reserves – General	(28,894)	(23,775)
(240,992)	(223,302)	Total Equity	(162,280)	(146,077)

#### Extract from Cash Flow

<i>Previously Stated 2007/08 £'000</i>	<i>Revised 2007/08 £'000</i>	
122,527	135,344	Other Operating Cash Payments
(5,879)	(1,063)	Revenue Activities Net Cashflow
27,281	22,465	Purchase of Fixed Assets
(17,952)	(9,952)	Net Cash (Inflow)/Outflow before Financing
4000	(8000)	Financing

## Collection Fund

The Collection Fund is a statutory account introduced under the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992). The Fund records the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (NDR). A separate balance sheet is not required as Collection Fund balances are consolidated into the Council's Balance Sheet.

<b>Actual 2007/08 £'000</b>		<b>Actual 2008/09 £'000</b>	<b>Note</b>
	<b>Income</b>		
(37,187)	Council Tax Payers	(39,075)	
(8,804)	Transfer from General Fund – Council Tax Benefits	(9,592)	
(40,788)	Business Ratepayers	(45,798)	4
<b>(86,779)</b>		<b>(94,465)</b>	
	<b>Expenditure</b>		
4,338	Precept – Cheshire Police Authority	5,126	3
2,281	Precept – Cheshire Fire Authority	2,368	3
39,044	Demand – Halton Borough Council	40,818	
40,627	Business Rate	45,636	4
161	– Payment to Pool	162	
	– Cost of Collection		
421	Provision for Doubtful/Bad Debts (Council Tax only)	-	
(240)	– Write-Offs	280	
	– Provisions		
<b>86,632</b>		<b>94,390</b>	
(147)	(Surplus)/Deficit for Year	(75)	
(469)	Balance brought forward	(616)	
<b>(616)</b>	<b>(Surplus)/Deficit carried forward</b>	<b>(691)</b>	7

## Notes to the Collection Fund

### 1. Introduction of the Council Tax

The property based Council Tax was introduced on 1st April 1993, replacing the personal liability Community Charge. The Council determined its Band D equivalent tax base for 2008/09 at 38,143 (see below), with the Parishes' individual tax bases as follows: Hale 724, Daresbury 140, Moore 349 and Preston Brook 339. During the year two new parishes were created in the borough, Sandymoor and Halebank with tax bases of 816 and 510 respectively.

### 2. The Council Tax Base Determination

Band	Properties	Ratio	Band D Equivalents
Disabled	42	5/9	23
A	21,660	6/9	14,440
B	9,939	7/9	7,730
C	7,051	8/9	6,268
D	4,134	9/9	4,134
E	3,043	11/9	3,719
F	878	13/9	1,268
G	304	15/9	507
H	27	18/9	54
<b>Total</b>	<b>47,078</b>		<b>38,143</b>
Multiply by Collection Rate (99%)			<b>37,762</b>

### 3. Precepting Authorities

Halton Borough Council has two precepting Authorities. For 2008/09 Cheshire Police Authority has set its precept at £5,126,361 the equivalent to a Band D charge of £135.75 per property. Cheshire Fire Authority has set its precept at £2,368,055 the equivalent to a Band D charge of £62.71 per property.

### 4. Non Domestic Rates

The non domestic rate replaced locally fixed rates from 1st April 1990. The rate in the pound is fixed by the Government and was set at 46.2p (45.8p for small businesses) in the pound for 2008/09. The Council is responsible for collecting rates within its own area, but pays the proceeds into the NDR Pool, which is administered by the Government. Sums paid into the Pool are redistributed amongst local authorities as part of the Formula Grant arrangements. The Council's entitlement from the Pool is paid directly into the General Fund.

## Notes to the Collection Fund continued

The amount payable to the Pool is as follows:

<b>2007/08 £'000</b>		<b>2008/09 £'000</b>
38,688	NDR Bills issued (Net of Voids & Transitional Relief)	43,647
2,082	Discretionary Relief and Remissions	1,830
119	Debts Written-Off or Provided For	425
(101)	General Fund Contribution to Reliefs and Remissions	(104)
40,788	Net NDR Income	45,798
(161)	Cost of Collection Allowance Payable to General Fund	(162)
<b>40,627</b>	<b>Payable to NDR Pool</b>	<b>45,636</b>

*The total non domestic rateable value at 31st March 2009 was £109,496,029.*

### 5. Analysis of Arrears

	Gross		Credits		Prepayments	
	£'000 2007/08	£'000 2008/09	£'000 2007/08	£'000 2008/09	£'000 2007/08	£'000 2008/09
Council Tax	3,141	3,354	(154)	(209)	(128)	(74)
NDR	1,088	2,031	(581)	(1,257)	(112)	(160)

### 6. Contribution to Collection Fund Surpluses and Deficits

#### General

The balance on the Fund is the responsibility of the Borough Council, Cheshire Police Authority and Cheshire Fire Authority, pro rata to the demand/precepts.

## Notes to the Collection Fund continued

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### 7. Movement of Collection Fund Surplus

	<b>£'000 2007/08</b>	<b>£'000 2008/09</b>
Council Tax		
Collection Fund Surplus brought forward	(469)	(616)
Deficiency/(Surplus) for the year	93	(355)
Change in Provision	(240)	280
<b>Collection Fund Surplus carried forward</b>	<b>(616)</b>	<b>(691)</b>



## Group Accounts

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The Council is involved with several companies and trusts pursuant to its functions. They are:

		% Interest
<b><u>Companies</u></b>		
Halton Borough Transport Ltd	Provision of Bus Services	100
Halton Borough Council/Pochins Partnership	Construct/Let Small Industrial Units	50
Halton Development Partnership Ltd.	Development Opportunities	Minority
Widnes Regeneration Ltd.	Widnes Town Centre Redevelopment	Minority

There have been no significant transactions between the Council and Halton Development Partnership and Widnes Regeneration Ltd.

The transactions of the Pochins Partnership are already consolidated in the Borough Council's figures.

For 2008/09 the consolidation involves Halton Borough Transport Ltd only.

The main effect of consolidation has been to increase revenue reserves by £0.029m, representing the Council's 100% share of accumulated net profits in the company.

The accounting policies of the Council and Halton Borough Transport Ltd are generally consistent except that assets for Halton Borough Transport Ltd are held at historical cost and depreciated accordingly. Also the surplus or deficiency on the pension fund for Halton Transport is charged directly to the revenue account. Full details of the accounting policies are available from Halton Borough Transport Limited, Moor Lane, Widnes. Telephone: 0151-423 3333.

Both bodies have the financial year end 31st March.

## Group Income and Expenditure Account

<b>Net Expenditure 2007/08 Restated</b>			<b>Net Expenditure 2008/09</b>
<b>£'000</b>			<b>£'000</b>
110,050	<i>Net Cost of Services</i>	166,163	
(3,300)	Gains or Losses on Disposal of Fixed Assets	(1,843)	
27	Parish Precept Paid	36	
3	Trading (Surplus)/Deficit	(8)	
865	Interest Payable	930	
41	Contribution of Housing Capital Receipts to Government Pool	16	
(2,699)	Interest Receivable	(2,986)	
(1,706)	Tax	38	
(134)	Pension Interest	2,081	
	Share of Surplus of Subsidiaries	566	
<b>103,147</b>	<i>Net Operating Expenditure</i>		164,993
(56,025)	<i>Funded by:</i>		
(39,044)	Government Grants		(74,660)
	Collection Fund		(40,818)
<b>8,078</b>	Deficit/(Surplus) for Year		49,515
(8,398)	Net Additional Amount required by statute and non-statutory proper practices to be debited or credited to the General Fund for the year		(48,438)
(7,878)	Surplus 1.4.08. Council		(7,780)
(4,221)	Surplus 1.4.08. Schools		(4,639)
-	Dividend Paid		-
(7,780)	Surplus 31.03.09. Council		(6,951)
(4,639)	Surplus 31.03.09. Schools		(4,391)

The consolidation adjustment eliminates the Halton Borough Transport dividend and debenture interest charge from the group total.

## Reconciliation of Council's Surplus/Deficit for the year to the Group Surplus/Deficit for the year

<b>2007/08 Restated £'000</b>		<b>2008/09 £'000</b>
8,106	(Surplus)/Deficit for the year on the Council Income and Expenditure Account	48,749
107	Adjustment for Transactions with Other Group Entities	104
8,212*	(Surplus)/Deficit in the Group Income and Expenditure Account Attributable to the Council	48,853
	(Surplus)/Deficit in the Group Income and Expenditure Account Attributable to Group Entities (adjusted for Intra-Group Transactions)	
(134)	– Subsidiaries	662
-	– Associates	-
-	– Joint Ventures	-
<b>8,078</b>	<b>(Surplus)/Deficit for the year on the Group Income and Expenditure Account</b>	<b>49,515</b>

## Group Statement of Total Recognised Gains and Losses

<b>2007/08 Restated £'000</b>		<b>2008/09 £'000</b>
8,078	(Surplus)/Deficit for the year on Income and Expenditure Account	49,515
170	Any other (gains)/losses required to be included	14
(4,557)	(Surplus)/Deficit arising on revaluation of fixed assets	(16,118)
(431)	(Surplus)/Deficit arising on revaluation of available for sale financial assets	(1,426)
(20,943)	Actuarial (gains)/losses on pension fund assets and liabilities	46,095
(147)	(Surplus)/Deficit on Collection Fund Balance	(75)
<b>(17,830)</b>		<b>78,005</b>

## Group Balance Sheet

<b>2007/08 Restated £'000</b>		<b>2008/09 £'000</b>
310,052	Fixed Assets	294,107
1,798	Intangible Assets	2,456
490	Long Term Investments	483
1,314	Long Term Debtors	1,089
57,871	Current Assets	67,813
(43,702)	Current Liabilities	(61,691)
(20,311)	Long Term Borrowing	(19,900)
(42,382)	Other Liabilities	(89,207)
(41,019)	Government Grants Deferred	(49,044)
<b>224,111</b>	<b>Total Assets less Liabilities</b>	<b>146,106</b>
-	Share Capital	-
(208,997)	Capital Reserves	(160,955)
(431)	Capital Adjustment Account	(1,857)
(4,557)	Financial Instruments Adjustment Account	(20,675)
(15,112)	Revaluation Reserve	(11,885)
(1,462)	Capital Receipts	(1,429)
39,242	Deferred Capital Receipts	86,501
(7,779)	Pension Reserve	(6,950)
(19,760)	Revenue Balances	(23,775)
(4,639)	General Fund	(4,390)
(616)	Earmarked Reserves	(691)
(224,111)	School Balances	
	Collection Fund	
<b>(224,111)</b>	<b>Total Equity</b>	<b>(146,106)</b>

The consolidation adjustment eliminates the Halton Borough Transport capital and debenture from the group total.

## Group Cashflow Statement

<b>2007/08</b>		<b>2008/09</b>	<b>2008/09</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
(645)	<b>Net Cash Inflow from Revenue Activities</b>		3,118
-	<b>Dividends from Joint Ventures and Associates</b>		-
807	<b>Returns on Investments and Servicing of Finance</b>		
(1,970)	– Interest Paid	1,047	
	– Interest Received	(3,047)	
(1,163)			(2,000)
(26)	<b>Taxation</b>		44
	<b>Capital Expenditure and Financial Investment</b>		
22,464	– Purchase of Fixed Assets	37,713	
-	– Purchase of Long Term Investments	-	
1,648	– Other Capital Cash Payments	1,931	
(17,557)	– Sale of Fixed Assets	(3,289)	
(13,761)	– Capital Grants Received	(21,251)	
(447)	– Other Capital Cash Receipts	(203)	
(7,653)			14,901
(140)	<b>Equity Dividends Paid</b>		-
-	<b>Acquisitions and Disposals</b>		-
(9,627)	<b>Net Cash Inflow before Financing</b>		16,063
	<b>Management of Liquid Resources</b>		
13,700	– Net Increase/Decrease in Short Term Deposits		(2,000)
	<b>Financing</b>		
-	– Repayments of Amounts Borrowed	(14,700)	
(309)	– Capital Element of Finance Lease Rental Payments	399	
(4,000)	– New Loans Raised	-	
(4,309)			(14,301)
<b>(236)</b>	<b>Net Increase in Cash</b>		<b>(238)</b>

## Notes to the Group Accounts

### 1. Group Cash Flow Statement

Reconciliation of Net Surplus to Revenue/Operating Activities

	<i>2007/08</i>	<i>2008/09</i>	
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Surplus for Year	(159)		262
Non Cash Transactions			
Minimum Revenue Provision/Depreciation	970	1,820	
Contribution to/from Reserves	900	4,016	
Movement on Provisions	472	-	
Other	(435)	(1,864)	3,972
Items on Accruals Basis			
Increase in Creditors	(2,193)	1,695	
Increase in Stocks/WIP	29	(65)	
Decrease in Debtors	2,310	(6,817)	(5,187)
Other Items in Statement			
Loan Transactions	(1,249)		(2,165)
<b>Revenue Activities Net Cashflow</b>	<b>(645)</b>		<b>(3,118)</b>

# Statement of Responsibilities for the Statement of Accounts

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## The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, the Operational Director – Financial Services has that responsibility;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

## The Operational Director – Financial Services' Responsibilities

The Operational Director – Financial Services is responsible for the preparation of the Council's statement of accounts which, in terms of CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice"), is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year (ended 31st March 2009).

In preparing this Statement of Accounts, the Operational Director – Financial Services has:

- selected suitable accounting policies and then applied them consistently;
- adopted the principle of "present fairly" regarding the Council's financial position;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Operational Director – Financial Services has also:

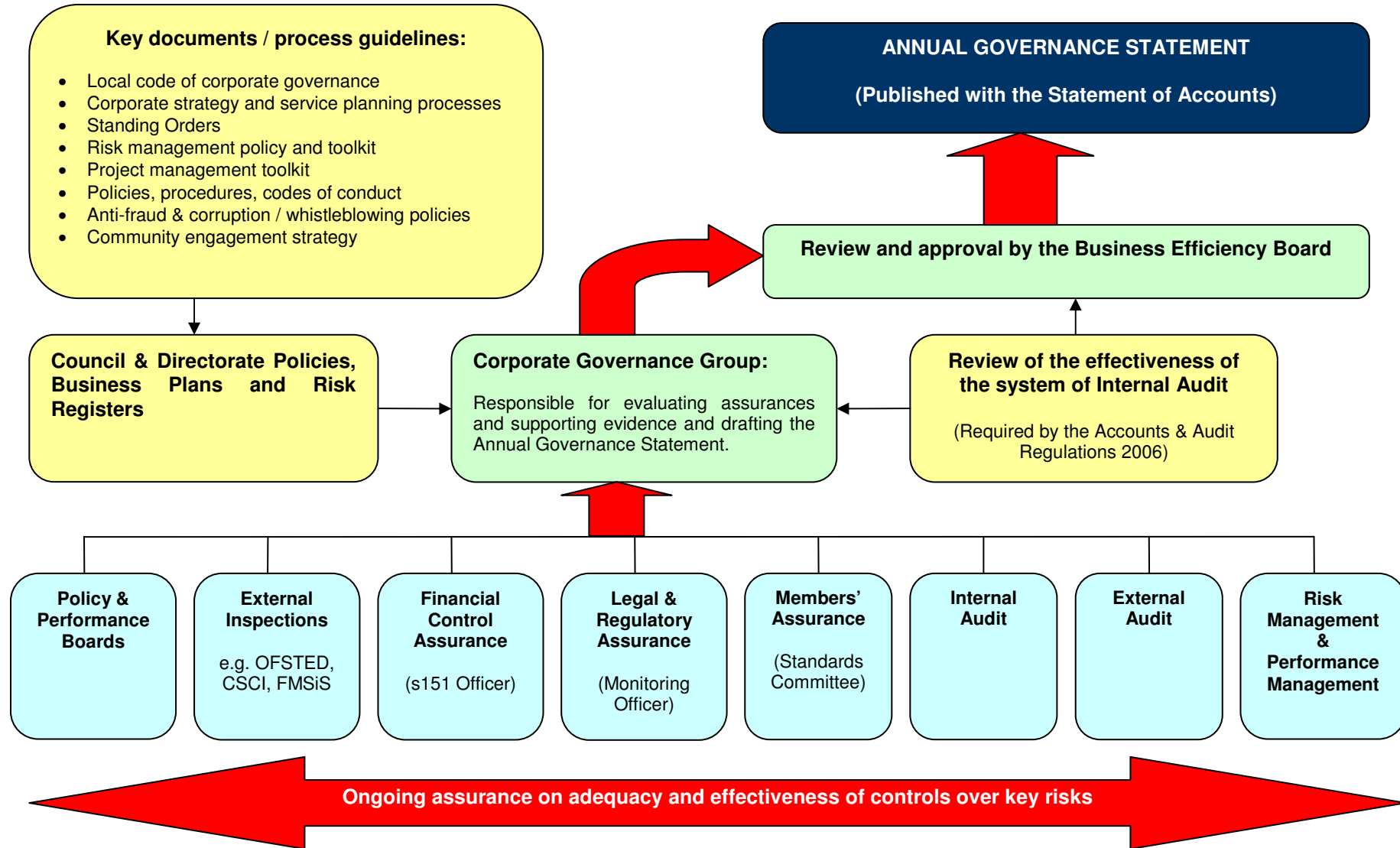
- kept proper accounting records which were kept up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Signed by: .....  
*Operational Director – Financial Services*

Date: .....

# Annual Governance Statement

## ANNUAL GOVERNANCE STATEMENT – ASSURANCE FRAMEWORK





## **Annual Governance Statement continued**

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### **1. Scope of Responsibility**

1.1 Halton Borough Council is responsible for ensuring that:

- its business is conducted in accordance with the law and proper standards;
- public money is safeguarded and properly accounted for; and
- public money is used economically, efficiently and effectively.

1.2 Halton Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.3 In discharging this overall responsibility, Halton Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

1.4 The Council has adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. In 2008/9, the local code was submitted to the Business Efficiency Board and Standards Committee for referral to full Council for endorsement, adoption and incorporation into the Council's constitution. A copy of the code is on our website at [halton.gov.uk](http://halton.gov.uk).

1.5 This statement explains how Halton Borough Council has complied with the principles of good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

### **2. The Purpose of the Governance Framework**

2.1 The governance framework comprises the systems and processes, and culture and values by which the Council is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

## **Annual Governance Statement continued**

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- 2.2** The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Halton Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3** The governance framework has been in place at Halton Borough Council for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

### **3. The Council's Governance Framework**

The key elements and processes that comprise the Council's governance framework are described below. Documents referred to may be viewed on the Council's website and are available from the Council on request.

#### **3.1 Communicating the Council's vision**

- a) The long-term vision for Halton is set out in the Sustainable Community Strategy 'Making it happen in Halton 2006-2011' and the Council's own Corporate Plan.
- b) To deliver this vision, the Council has identified five key priorities that underpin all aspects of the Council's work:
- A Healthy Halton
  - Halton's Urban Renewal
  - Children & Young People in Halton
  - Employment Learning and Skills in Halton
  - A Safer Halton
- c) The Corporate Plan is built on these five shared priorities, plus a sixth priority about the way we run the business. There are clear objectives and targets for each priority that are common to the two plans. The Local Area Agreement (LAA) is also structured around the same five priorities.
- d) The Council has a range of performance indicators used to measure progress against its key priorities in the Corporate Plan and in the Local Area Agreement. Quarterly monitoring reports record progress against key service plan objectives and targets. These are reported to the Corporate Management Team and to the Policy and Performance Boards.
- e) The Council's medium term financial strategy, capital programme, and budget process ensure that financial resources are directed to the Council's priorities.

## **Annual Governance Statement continued**

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### **3.2 Members and officers working together to achieve a common purpose with clearly defined roles and functions**

- a) Roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. The Executive Board is the main decision-making body of the Council and is made up of ten Members who have responsibility for particular portfolios. The Board is chaired by the Leader of the Council and each Board Member has responsibility for policy development for issues that fall within their portfolio.
- b) The Council also appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. These arrangements, and the delegated responsibilities of officers, are set out in the Council's Constitution.
- c) The Constitution also includes a Member/Officer protocol which describes and regulates the way in which Members and Officers should interact to work effectively together.
- d) There is a well-established overview and scrutiny framework with six Policy and Performance Boards (PPBs) aligned to the Council's six corporate plan priorities (the five shared priorities and "Efficient and Effective Services". They hold the Executive to account, scrutinise performance and develop policy proposals for consideration by the Executive.
- e) The Business Efficiency Board has been designated as the Council's Audit Committee. Its core functions are consistent with those identified in the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities'. It provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.
- f) The Council's Chief Executive (and Head of Paid Service) is responsible for and accountable to the Council for all aspects of operational management.
- g) The Operational Director – Financial Services, as the s151 Officer appointed under the 1972 Local Government Act, carries overall responsibility for the financial administration of the Council.
- h) The Monitoring Officer (Operational Director – Legal, Organisational Development & Human Resources) carries overall responsibility for legal compliance.
- i) All employees have clear conditions of employment and job descriptions which set out their roles and responsibilities.
- j) The Council has clearly set out terms and conditions for the remuneration of members and officers and there is an effective structure for managing the process.

## **Annual Governance Statement continued**

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### **3.3 Promoting values and upholding high standards of conduct and behaviour**

- a) The Council has a Standards Committee to promote high standards of conduct and support Members' observation of their Code of Conduct. Elected members have to agree to follow a Code of Conduct to ensure high standards in the way they undertake their duties. The Standards Committee trains and advises them on the Code of Conduct.
- b) Officer behaviour is governed by an Employees' Code of Conduct. The Code has been formulated to provide a set of standards of conduct expected of employees at work and the link between that work and their private lives.
- c) The Council takes fraud, corruption and maladministration seriously and has established policies which aim to prevent or deal with such occurrences:
  - Anti-Fraud and Anti-Corruption Strategy;
  - Fraud Response Plan;
  - Confidential Reporting Code (Whistleblowing Policy);
  - HR policies regarding disciplinary of staff involved in such incidents.
- d) A corporate complaints procedure exists to receive and respond to any complaint received.
- e) Arrangements exist to ensure that members and employees are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:
  - Registers of interests;
  - Declarations of personal or prejudicial interests at the start of each meeting in which discussions involve a matter in which a member has an interest;
  - Registers of gifts and hospitality;
  - Equal opportunities policy.

### **3.4 Taking informed and transparent decisions and managing risk**

- a) The Council's decision making processes are clear, open and transparent. The Council's Constitution sets out how the Council operates and the processes for policy and decision making. Key decisions are published in the Council's Forward Plan. Minutes of all Council meetings are published on the Council's website.
- b) The Council provides decision-makers with information that is fit for purpose. The executive report template requires information to be provided explaining the legal, financial and risk implications of decisions, as well as implications for each of the corporate priorities.

## **Annual Governance Statement continued**

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- c) The Council has a Risk Management Policy and Toolkit and regularly reviews its corporate and directorate risk registers. The management of risk is monitored through the Council's quarterly performance monitoring arrangements
- d) Each of the five specialist strategic partnerships has conducted a risk assessment of its objectives to form a draft Partnership Risk Register.
- e) A project management toolkit has been developed with help from the NW Employers Organisation, and over 200 staff have been trained in its use.
- f) The Business Efficiency Board reviews the Internal Audit work programme and oversees the implementation of audit recommendations.

### **3.5 Developing the capacity and capability of Members and officers**

- a) Management of Human Resources has always been a priority for the Council. It first received accreditation as an Investor in People in 1997, with it being renewed for the third time in 2006.
- b) The Council has a Workforce Development Plan which helps ensure that we have the right workforce with the right skills. The plan is being reviewed and will be rolled forward as part of a new People Strategy.
- c) The Council's training and development programme stretches right across the organisation to include members and employees. The Council was awarded the NW Charter for Elected Member Development Exemplar Level status in May 2007.
- d) Newly elected members attend a three-day induction programme with follow-up mentoring, and are offered a personal development interview.
- e) All new employees attend an induction programme with a more detailed programme for new managers.
- f) Every employee has an annual Employee Development Review (EDR) to identify key tasks and personal development needs linked to delivering our priorities. Training needs identified in this way are used to design the corporate training programme. They are also used to identify specialised professional training needs.

### **3.6 Engagement with local people and other stakeholders to ensure robust public accountability**

- a) The Council's planning and decision making processes are designed to include consultation with stakeholders and the submission of views by local people.

## **Annual Governance Statement continued**

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- b) Arrangements for consultation and for gauging local views include both formal and informal arrangements:
  - Formal arrangements include the Halton 2000 Citizen's Panel, the seven Area Forums, the Youth Forum, Older Person's engagement network.
  - Informal arrangements include contact via our website, Halton Direct Link and magazine based customer surveys.
- c) Community and voluntary sector representatives have decision-making roles on the Halton Strategic Partnership Board and on all its SSPs.
- d) The Neighbourhood Management Partnership has developed strong resident engagement through board membership and other means, such as the staging of events.
- e) Within the Halton Strategic Partnership (HSP), responsibility for quarterly performance management of the five priorities rests with the five thematic partnerships (SSPs). A new performance management framework was approved in May 2009 to ensure that a consistent approach is taken by the SSPs and exceptions reported to the Strategic Partnership Board.
- f) The HSP produces an annual report and stages a whole partnership event each year where progress against the Community Strategy is reported and achievements are celebrated.
- g) Six monthly reporting has been introduced to report on progress against the Local Area Agreement.
- h) The Council publishes a summary of performance information and its financial statements in the Council newspaper, which is distributed to every household in the Borough.
- i) Council agendas, minutes and performance information are published on the Council's website.

### **4. Review of Effectiveness**

- 4.1 Halton Borough Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the Internal Audit and by comments made by the external auditors and other inspection agencies.

## **Annual Governance Statement continued**

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**4.2** The processes applied in maintaining and reviewing the effectiveness of the system of governance include:

- The work of the Business Efficiency Board as the Council's Audit Committee;
- The work of the Standards Committee;
- The role of the Policy and Performance Boards in holding the Executive to account;
- The operation of the Council's risk management and performance management frameworks;
- The work of internal audit and the Chief Internal Auditor's annual report;
- The Comprehensive Performance Assessment (CPA) framework;
- The Annual Audit and Inspection Letter, which provides an overall summary of the Audit Commission's assessment of the Council;
- The external auditor's opinion report on the Council's financial statements;
- The corporate complaints procedure;
- The roles of the Council's Statutory Officers;
- The work of the Corporate Governance Group;
- The anti-fraud and corruption and whistleblowing framework;
- The results of external inspections and the FMSiS (Financial Management Standard in Schools) assessments.

**4.3** The Business Efficiency Board has been advised on the implications of the results of the review of the effectiveness of the governance framework and a plan to address weaknesses and ensure continuous improvement of the system is in place.

### **5. Significant Governance Issues**

The Business Efficiency Board has considered the evidence provided with regards to the production of the Annual Governance Statement.

No significant issues affecting the Council's governance framework have been identified. However, Halton Borough Council is constantly looking to develop its governance framework and has identified a number of areas where actions are needed to further strengthen the existing arrangements. The issues, and the actions proposed to address them, are summarised at the end of this document.

## **Annual Governance Statement continued**

### **6. Leader and Chief Executive Statement of Assurance**

We propose over the coming year to take steps to enhance our governance arrangements. We are satisfied that these actions proposed will address the need for improvements which were identified in our review of effectiveness, and will monitor their implementation and operation as part of our next annual review.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
(Chief Executive)

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
(Leading Member)



# Annual Governance Statement continued

## Governance & Control Framework - Action Plan

	Issue	Further action planned
1.	Implementation of the Efficiency Programme	<p>The Efficiency Programme has been established with the Council's efficiency partner KPMG. It covers all the Council's services and the programme aims to reduce costs whilst maintaining or improving services to the community; work more flexibly whilst maintaining the Council's excellent performance rating; minimise the impact of any changes on front line services and improve management and support processes whilst providing opportunities for skills and capability development.</p> <p>There are a number of workstreams currently underway covering management structures, transactional support services, non-transactional support services, customer relations and ICT, property, and the pilot service delivery option covering green spaces. The approach is to develop a detailed analysis of the current position then move forward to develop and implement in this year a transition to a more efficient and effective service. A Programme Board has been established to oversee the programme and a Programme Office is in place to co-ordinate and support the delivery of the current programme and to develop further service delivery options in the future.</p>
2.	Compliance with the Code of Connection	<p>The aim of the Code of Connection is to ensure the Council operates a secure network that enables the delivery of GCSX secure email and the transfer of data relating to both employees and clients between all local authorities and Government departments. The Council has already put in place many of the background technologies required to meet the deadline of 30 June 2009. In addition, a corporate ICT Strategy Board has been established with one of its main tasks being to govern and enable compliance with any further requirements expected by April 2010 and beyond.</p>
3.	Development of robust IT disaster recovery arrangements.	<p>The Council is continuing to develop its IT disaster recovery arrangements and aims to jointly deliver a disaster recovery service with another unitary authority of a similar size to Halton located over 200 miles away. Costing and feasibility assessments are currently under development with an aim of connecting both corporate networks and delivering a disaster recovery and shared services opportunity solution by 2010.</p>
4.	Review of Treasury Management policy and strategy.	<p>Following the collapse of the Icelandic banks, local authority treasury management has come under the spotlight. CIPFA intends to revise both the Treasury Management Code and Guidance Notes in light of the lessons to be learnt. Although the Council had not invested any funds in Icelandic banks, it will review its treasury management policy and strategy once the guidance is published.</p>

## Annual Governance Statement continued

	Issue	Further action planned
5.	Developing the Council's approach to ensure the effective use of natural resources.	<p>The Council has continued to implement the programme of works outlined in our carbon management plan over the past year. Many more projects are planned for 2009/10, all of which will help to reduce the Council's CO2 emissions.</p> <p>In 2009/10, the Council is planning to move to AMR (automatic meter reading) technology in order to obtain accurate data across the whole property estate and to facilitate improvements in energy management.</p> <p>An Environment Sub-Group has been set up under the Urban Renewal Specialist Strategic Partnership. The group is multi-agency and will respond to the environmental agenda and associated risks within the Council and the wider area</p> <p>A Natural Assets Strategy and Biodiversity action plan have been developed which outline how the Council will protect manage and enhance the natural assets within the area.</p> <p>The Council has signed up to the Envirolink Northwest 'Buy Recycled Code' indicating its commitment to improve in the area the sustainable procurement.</p>
6.	Strengthening the Council's asset management arrangements to help deliver strategic priorities and service needs.	<p>The asset management plan and asset register will be reviewed on a regular basis to ensure that they are updated as necessary to reflect changes that occur within the Council's asset base. The asset management working group will continue to ensure that a corporate approach to asset management becomes embedded within the Council.</p>
7.	Developing the Council's overview and scrutiny arrangements.	<p>The Council will take steps to ensure that its processes and arrangements adequately reflect the provisions of the Local Government and Public Involvement in Health Act 2007, the Police and Justice Act 2006 and other relevant legislation that may come into force, as they affect overview and scrutiny. This will involve revisiting, and where necessary revising, relevant aspects of the existing processes and arrangements, and developing new ones where this is indicated by the official guidance that will become available during the year. Since the 2007 Act, officers have been giving early consideration to how the duties under the Act will need to change the Constitution but until detailed guidance and regulations are in place, and the relevant scrutiny provisions are in force, this cannot be taken any further.</p>

# Statement of Accounting Policies

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## 1. General

The accounts have been prepared in accordance with “The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice”, and “Best Value Accounting – Code of Practice 2008”, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). They have been prepared on the historical cost conventions, and give a ‘true and fair’ view of the Council’s transactions and financial position.

## 2. Accruals of Income and Expenditure

### 2(a) Customer and Client Receipts

Customer and client receipts in the form of sales, fees, charges and rents are accrued and accounted for in the period to which they relate.

### 2(b) Employee Costs

The full cost of employees is charged to the account of the period within which the employees worked. Accruals are made for wages earned but unpaid and pay awards awaiting settlement at the year end.

### 2(c) Capital Receipts Income

Amounts to be treated as capital receipts are defined by statute and usually arise from disposal of an interest in a fixed asset. However, some statutorily defined capital receipts do not arise from the disposal of an interest in a fixed asset and under the general provisions of the SORP may be income or a transaction within the Balance Sheet.

### 2(d) Interest

Interest payable on external borrowings and interest income is accrued and accounted for in the accounts of the period to which it relates on a basis which reflects the overall economic effect of the borrowings.

### 2(e) Supplies and Services

Supplies and services are accrued and accounted for during the period in which they are consumed or received. Accruals are made for all material sums unpaid at year end for goods or services received or works completed.

## 3. Acquired/Discontinued Operations

Income and expenditure directly related to either acquired or discontinued operations will be shown separately on the face of the Income and Expenditure Account under the heading of acquired/discontinued operations. Any liabilities in respect of discontinued operations should be disclosed separately in the notes to the Balance Sheet.

## Statement of Accounting Policies continued

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### 4. Area Based Grants

ABG is a non-ringfenced general grant which replaced Local Area Agreement Grant from 2008/09. No conditions on use is imposed as part of the grant determination ensuring full local control over how funding can be used. This means that, unlike LAA grant, its use is not restricted to supporting the achievements of LAA targets. ABG is included in the income and expenditure account within the General Government Grants figure.

### 5. Equal Pay Claims

Following the implementation of the Single Status Agreement the Council has received a number of claims for equal pay. An earmarked reserve has been made for the future cost.

### 6. Business Improvement District Schemes

Business Improvement District (BID) projects for the benefit of a particular area are financed (in whole or in part) by a BID levy paid by the non-domestic ratepayers, or a class of such ratepayers, in the BID area. There are two key participants, the billing authority for the area and the BID Body. What determines the appropriate accounting treatment for the billing authority is whether it acts as the principal or agent. If the billing authority acts as principal, the income received and expenditure incurred by the billing authority is included in the Net Cost of Services under the appropriate service heads. Halton acts as an agent for two BID projects (Halebank and Astmoor), the following amounts are recognised in the Income and Expenditure Account:

- A contribution made by HBC to the BID project (i.e. grant-in-aid), which is shown as service expenditure under the relevant service in the Income and Expenditure Account;
- BID levy collection costs and associated (reimbursed) income, which is shown in Net Cost of Services under the relevant service in the Income and Expenditure Account;
- Income from services supplied by HBC to the BID project on a paid basis, which is accounted for as a trading activity as part of Net Operating Costs in the Income and Expenditure Account. However, where the service supplied for charge is a function of the Council, e.g. a planning application, it is accounted for in the same way as other income of that function.

A note to the accounts on BID schemes operating in year that includes a BID Revenue Account for each scheme is included in the Notes to the Accounts.

## **Statement of Accounting Policies continued**

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### **7. Contingent Assets**

Contingent assets are not recognised in the accounting statements, they are disclosed by way of notes if the inflow of a receipt or an economic benefit is probable. The note will indicate the nature of the contingent asset and estimate its financial effect.

### **8. Contingent Liabilities**

Contingent liabilities are not accrued in the accounting statements. They are disclosed by way of the notes to the accounts (see notes to the core financial statements) if there is a possible obligation which may require a payment or transfer of economic benefits. For each class of contingent liability the Council discloses the nature of the contingency, a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

### **9. Events After the Balance Sheet Date**

Where a material post balance sheet event occurs, an appropriate change will be included in the Statement of Accounts. A disclosure will state the nature of the event and an estimate of the financial effect.

### **10. Exceptional Items, Extraordinary Items and Prior Year Adjustments**

All of the above will be included in the cost of services on the face of the Income and Expenditure account, except if a degree of prominence is necessary to give a fair presentation of the accounts. Additional notes will be provided if necessary.

### **11. Financial Instruments**

The council invests and borrows money as part of its day to day business and Treasury Management Strategy. It is required to present on the balance sheet at fair value its outstanding financial obligations and assets in relation to these transactions.

The Council has used Sector Treasury Services Limited to provide independent valuations of the position at the period end.

Sector used the Net Present Value valuation technique to value the borrowings. The discount rate used within the calculation was the Public Works Loans Board new borrowing rate. The fair value calculations also included accrued interest.

The charge and credit to the Income and Expenditure account is based on the accruals concept.

There were no unrealised gains or losses in the year

## Statement of Accounting Policies continued

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### 12. Foreign Currency Translation

Income and expenditure arising from transactions denominated in a foreign currency are translated into £ sterling at the exchange rate in operation at the date of the transaction.

### 13. Government Grants

Revenue grants are accounted for on an accruals basis, with the credit shown in the appropriate revenue account. Whatever their basis of payment, revenue grants are matched with the expenditure to which they relate.

For capital grants where the acquisition is financed either wholly or in part by a government grant or other contribution, the amount of grant or contribution is credited initially to government grants – deferred account. Amounts are written off in the service revenue account over the useful life of the asset to match the depreciation of the asset to which it relates.

### 14. Group Accounts

The Council has adopted the Statement of Recommended Practice in relation to the presentation of Group Accounts

### 15. Intangible Assets

These are regularly included on Balance Sheets and cover, in the main, Goodwill and Research and Development Expenditure, neither of which are likely items for a Council. A more likely cost would be, for example, the capitalisation of software licences. The assets would be amortised out of the Balance Sheet over its economic life, with due recourse to disposal and/or impairment, and charges to revenue.

### 16. Landfill Allowance Trading Scheme

The Landfill Allowance Trading Scheme, like certain Emission Rights schemes, is a 'cap and trade' scheme, which allocates tradeable landfill allowances to each Waste Disposal Authority (WDA) up to the amount of the WDA's 'cap'. There is at present no UK Financial Reporting Standard or Urgent Issues Task Force (UITF) Abstract covering the cap and trade schemes.

However, the Council has adopted the proposed UITF Abstract *Emission Rights*, and as such the Landfill Allowances Trading Scheme (LATS) gives rise to:

- an asset for allowances held
- LATS grant income; and
- a liability for actual Biodegradable Municipal Waste (BMW) landfill usage.

## Statement of Accounting Policies continued

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### 16. Landfill Allowance Trading Scheme continued

Allowances, whether allocated by DEFRA or purchased from another WDA, have been recognised as assets and classified as current assets. They are measured initially at their fair value.

Landfill allowances are issued free by DEFRA. Accordingly, the grant is initially recognised as deferred income in the Balance Sheet and subsequently recognised as income on a systematic basis over the compliance year for which the allowances were allocated.

As landfill is used, a liability is recognised for actual BMW landfill usage. The liability is discharged by using allowances to meet the liability, paying a cash penalty to DEFRA or a combination of both. Any liability is measured at the best estimate of the expenditure required to meet the obligation at the Balance Sheet date.

Under proposed UITF Abstract Emission Rights, two accounting policies for remeasuring the value of landfill allowances after initial recognition are permitted:

- the lower of cost and net realisable value; and
- revaluation to market value.

The Council has adopted a 'lower of cost and net realisable value' accounting policy.

### 17. Leases

#### 17(a) Finance Leases

Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding obligation, with the finance charge being allocated and charged to revenue over the term of the lease. Any receipts are subject to the same test, whereby the writing down of the debtor's obligation will be a capital receipt.

#### 17(b) Operating Leases

Rentals payable under operating leases are charged to revenue on a straight line basis over the life of the lease. Receipts are treated as revenue income.

## Statement of Accounting Policies continued

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### 18. Overheads

Charges or apportionments covering all support service costs are made to all services, trading undertakings and capital accounts. The costs are allocated based on time allocation for staff, floor area for administrative buildings and usage for computers and telephones.

The costs of the Corporate and Democratic Core and non-distributed costs as defined by CIPFA's Best Value Accounting Code of Practice are allocated to separate objective expenditure heads and are not apportioned to other divisions of service. These items are clearly disclosed in the Income and Expenditure Account.

### 19. Pension Costs

#### General

The cost of providing pensions for employees is charged in accordance with the requirements of FRS17 Retirement Benefits subject to the interpretation set out in the Statement of Recommended Practice governing the pension schemes. The Council pays an employer's contribution to the Cheshire Pension Fund and the Teachers' Pension Agency.

#### Pensions Reserve

Where there is a difference between the amount charged to the Income and Expenditure Account in the year and the amount payable to the pension funds, that sum is taken to the Pension Reserve. This additional debit or credit to the services is shown as a reconciling item in the Statement of Movement on the General Fund.

#### Classification of Schemes

##### *Defined Benefit Schemes*

Accounting policies set out as below apply in respect of pension costs arising from the Local Government Pension Scheme and unfunded discretionary benefits paid (irrespective of the scheme to which it relates):

- (i) the attributable assets of each Scheme are measured at their fair value at the Balance Sheet date. Scheme assets include current assets as well as investments. Any liabilities, such as accrued expenses are deducted. The attributable scheme liabilities are measured on an actuarial basis using the projected unit method. The Scheme liabilities comprise:



## Statement of Accounting Policies continued

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### 19. Pension Costs (continued)

- (a) any benefits promised under the formal terms of the Scheme, and
  - (b) any constructive obligations for further benefits where a public statement or past practice by the Council created a valid expectation in the employees that such benefits will be granted.
- (ii) the surplus/deficit in a Scheme is the excess/shortfall of the value of assets in the Scheme over/below the present value of the Scheme liabilities. The Council recognises assets to the extent that it is able to recover a surplus either through reduced contributions in the future or through refunds from the Scheme. The Council recognises a liability to the extent that it reflects its legal or constructive obligation;
- (iii) any unpaid contributions to the scheme are presented in the Balance Sheet as a creditor due within one year;
- (iv) the change in the defined benefit asset or liability (other than that arising from contributions to the Scheme) is analysed into the following components:
- (a) Periodic Costs
    1. Current Service Cost - the increase in liabilities as result of years of service earned this year – allocated in the Income & Expenditure Account to the revenue accounts of services to which the employees worked.
    2. Interest Cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account.
    3. Expected Return on Assets - the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account.
    4. Actuarial Gains and Losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses.
    5. Contributions Paid to the Cheshire Pension Fund – cash paid as employer's contributions to the pension fund.
- and

## Statement of Accounting Policies continued

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### 19. Pension Costs (continued)

- (b) Non-periodic Costs
  1. Past Service Costs - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
  2. Gains and Losses on Settlements and Curtailments - the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
  
- (v) the current service cost is included within the Net Cost of Services. Both the interest and the expected return on assets are included within Net Operating Expenditure. Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the Balance Sheet date are recognised in the Statement of Total Reserves for the period;
  
- (vi) past service costs are recognised in Net Cost of Services on a straight-line basis over the period in which the benefits vest. To the extent that the benefits vest immediately, the past service cost is recognised immediately;
  
- (vii) losses arising on a settlement or curtailment not allowed in actuarial assumptions are measured at the date on which the Council becomes demonstrably committed to the transaction and recognised in the Net Cost of Services at that date. Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction and are recognised in the Net Cost of Services at that date.

#### Defined Contribution Schemes

Whilst meeting the definition of a defined benefit pension scheme, the Teachers' Pension Scheme, as administered by the DCSF, needs to be accounted for as if it were a defined contribution scheme since the Council is unable to identify its share of the underlying assets and liabilities in the Scheme on a consistent and reasonable basis.

As a result, the pensions cost reported for the year is equal to the contributions payable to the scheme for the accounting period. The cost is recognised in the Net Cost of Services. An asset or liability is recognised within the Net Cost of Services only to the extent to which there are prepaid or outstanding contributions at the Balance Sheet date.

## **Statement of Accounting Policies continued**

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### **20. Provisions**

The Council set aside provisions for any liabilities of uncertain timing or amount that have been incurred. Provisions are reviewed annually and adjusted to reflect the current best estimate. Provisions are created by a charge to a service and as such appear in the Income and Expenditure Account in the Net Cost of Services. (See Notes to the core Financial Statements).

Provisions are charged to the appropriate revenue account; when payments for expenditure are incurred to which the provision relates they are charged direct to the provision.

Provisions are required to be recognised when there is a present obligation as a result of a past event or it is possible that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### **21. Provisions for Bad and Doubtful Debts**

The value of debtors is adjusted for doubtful debts whilst known uncollectable debt is written-off.

### **22. Repurchase of Borrowing**

Gains or losses arising on the repurchase or early settlement are charged in the Income and Expenditure Account in the period during which the repurchase is made. If the repurchase was coupled with refinancing or restructuring, gains or losses are charged over the life of the replacement loan.

### **23. Reserves**

The Council maintains certain reserves to meet general, rather than specific, future expenditure. Reserves are set up by a charge against the appropriation section of the Income and Expenditure Account. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for general contingencies and cashflow management. Capital reserves are not available for revenue purposes. The requirement of FRS17 has meant the introduction of pension reserve onto the Balance Sheet offset by a Pension Asset Account. The Statement of Total Recognised Gains and Losses brings together all reserves divided into revenue and capital. Future expenditure met by reserve will go through the net cost of services and the offsetting credit through the Statement of Movement on the General Fund.

### **24. Revenue Expenditure Funded From Capital under Statute**

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. Such expenditure is charged to the Income and Expenditure account in accordance with the general provisions of the SORP. The main area of activity is the Disabled Facility Grant which is alienated back through the Income and Expenditure account each year

## Statement of Accounting Policies continued

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### 25. Stocks

Stocks and stores held by the Council at the year end are included in the accounts on the basis of lower of cost or net realisable value.

### 26. Tangible Fixed Assets

#### 26(a) Recognition

Expenditure on the acquisition, creation or enhancement of a tangible fixed asset is capitalised on an accruals basis. Expenditure is only capitalised when it adds to or extends, and not merely maintains the value of an existing asset.

This will include the laying out and reclamation of land, enhancement or replacement of roads/buildings as well as the installation/replacement of plant/machinery.

#### 26(b) Measurement

All assets are initially measured at cost, but only the costs that are directly attributable to bringing the asset into working condition for its intended use. Whilst infrastructure assets and community assets remain in the balance sheet at historical costs net of depreciation, other assets will be subject to periodic revaluation of no more than five years using the appropriate method for that class of asset. In the absence of historical information regarding the cost of acquisition or construction of various community assets, they have been reclassified and given a zero valuation from 1st April 2005. The Council operates a de-minimus level of £35,000, and a qualified valuer certifies the valuation.

#### 26(c) Impairment

Because the assets are only revalued periodically, the Council's valuer prepares annually a certificate confirming he has reviewed the assets for impairment. If it has been established that there has been impairment to an asset, then each case will be reviewed to decide if a debit should be made to the relevant service's total cost.

#### 26(d) Accounting for Disposals of Tangible Fixed Assets

Receipts from the disposal of fixed assets greater than £10,000 are credited to the usable capital receipts reserve on an accruals basis.

##### (i) Income and Expenditure Account

The gain or loss of a tangible asset is the amount by which the disposal proceeds are more (gain) or less (loss) than the carrying amount of the fixed asset. With the entries being debit cash/debtors and credit the Income and Expenditure Account with the disposal proceeds and credit the fixed asset account and debit the Income and Expenditure Account with the carrying amount of the tangible fixed asset.

## Statement of Accounting Policies continued

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### 26. Tangible Fixed Assets (continued)

#### (ii) Statement of Movement in the General Fund

In order to comply with statutory/proper practices restrictions on the use of capital receipts:

- Expenditure Account, the General Fund should be debited (in the case of a gain) or credited (in the case of a loss) with the amount equal to the gain or loss on disposal of the tangible fixed asset, with the double entries being:
  - a credit to the Usable Capital Receipts Reserve of an amount equal to the disposal proceeds;
  - a debit to the fixed Capital Adjustment Account of an amount equal to the carrying amount of the fixed asset disposal.

The gain or loss on disposal of the tangible fixed asset should be a reconciling item in the Statement of Movement on the General Fund. If the asset disposed of was carried at current value, in addition to the above entries the balance on the Revaluation Reserve in respect of asset disposals is written off the Capital Adjustment Account.

The proportion that is required to be paid over to Central Government as a 'housing pooled capital receipt' should be charged in the Net Operating Cost Section of the Income and Expenditure Account and the same amount appropriated from Usable Capital Receipts Reserve and credited to the General Fund.

#### 26(e) Depreciation

Depreciation is provided for on all fixed assets with a finite useful life. The provision for depreciation is calculated by allocating the cost less any estimated residual value of the asset over its useful life. The useful lives of assets are estimated on a realistic basis and reviewed on a regular basis and where necessary revised. Depreciation charges usually commence in the year after acquisition. In exceptional circumstances, for example if a particularly expensive asset is acquired which has a short life expectancy, then a charge may be levied in the year of acquisition to ensure the charge to the service is more in line with the consumption of the asset. In the case of infrastructure assets, the depreciation charge is calculated over a straight line 15 year period.

#### 26(f) Charges to the Income and Expenditure Account and STRGL

As defined in CIPFA's Best Value Accounting Code of Practice, each service is charged with a capital charge for the consumption of all fixed assets used in the provision of the service. The charge is the annual provision for depreciation or impairment.

## Statement of Accounting Policies continued

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### 26. Tangible Fixed Assets (continued)

Finance costs (interest payable) are a direct charge to Net Operating Costs; whilst repairs and maintenance are charged to the appropriate service revenue account.

#### 26(g) Revaluations

Assets are subject to an annual impairment check. A proportion of the assets will be subject to revaluation each year to allow for the workload of revaluation to be more evenly spread and the balance sheet to be more accurate. Each asset will be revalued on a 5 year cycle.

Due to the severe economic downturn, a desktop valuation exercise has been undertaken on all assets on the register (to ascertain if there has been sufficient movement to require adjustments to be made) this is in addition to the full revaluation exercise of those assets due to be re valued on the cyclical basis.

Gains and losses resulting from revaluations are accounted for as follows. The Statement of Total Recognised Gains and Losses should be:

- Credited with revaluation gains, except to the extent that they reverse previous revaluation losses (after allowing for depreciation) on the same assets that were charged to the Income and Expenditure Account.
- Debited with revaluation losses not associated with an impairment related to a clear consumption of economic benefit up to the balance on the Revaluation Reserve in respect of that asset.

The Income and Expenditure Account should be:

- Credited with any revaluation gains that reverse revaluation losses (after allowing for depreciation) on the same assets that were charged to services.
- Debited with revaluation losses associated with an impairment related to a clear consumption of economic benefit.
- Debited with revaluation losses not associated with a clear consumption of economic benefit in excess of the balance on the Revaluation Reserve in respect of that asset (ie in excess of the amount allowed to be debited to the STRGL).

### 27. Value Added Tax

VAT is only included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

# **Auditor's Report to the Members of Halton Borough Council**

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## **Independent Auditor's Report to the Members of Halton Borough Council**

### **Opinion on the Financial Statements**

I have audited the Council and Group accounting statements and related notes of Halton Borough Council for the year ended 31st March 2009 under the Audit Commission Act 1998. The Council and group accounting statements comprise the Council and Group Income and Expenditure Account, the Council Statement of the Movement on the General Fund Balance, the Council and Group Balance Sheet, the Council and Group Statement of Total Recognised Gains and Losses, the Council and Group Cashflow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Halton Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### **Respective Responsibilities of the Operational Director – Financial Services (as Responsible Financial Officer) and the Auditor**

The Operational Director – Financial Services' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Council and group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Council and its income and expenditure for the year;
- and
- the financial position of the Group and its income and expenditure for the year.

I review whether the Governance Statement reflects compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

## **Auditor's Report to the Members of Halton Borough Council (continued)**

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I read other information published with the Council and Group accounting statements, and consider whether it is consistent with the audited Council and Group accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Council and Group accounting statements. My responsibilities do not extend to any other information.

### **Basis of Audit Opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (U.K. and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Council and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the Council and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Council and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Council and Group accounting statements and related notes.

### **Opinion**

In my opinion:

The Council's financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Council as at 31st March 2009 and its income and expenditure for the year then ended;

and

The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Council as at 31st March 2009 and its income and expenditure for the year then ended.



## **Auditor's Report to the Members of Halton Borough Council (continued)**

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### **Conclusion on Arrangements for Securing Economy, Efficiency and Effectiveness in the Use of Resources**

#### ***Council's Responsibilities***

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

#### ***Auditor's Responsibilities***

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for Principal Local Authorities. I report if significant matters have come to my attention which prevent me from concluding that the Council has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for Principal Local Authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Halton Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31st March 2009.

## **Auditor's Report to the Members of Halton Borough Council (continued)**

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### **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

**Signature**

**Date**

Michael Thomas  
District Auditor  
Audit Commission Office  
The Heath Business & Technical Park  
Runcorn  
WA7 4QF

## **Glossary of Terms**

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For the purposes of the Code of Practice the following definitions have been adopted:

### **Accruals**

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

### **Accounting Policies**

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- (a) recognising;
- (b) selecting and measurement bases for; and
- (c) presenting.

assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the Income and Expenditure account or Balance Sheet it is to be presented.

### **Acquired Operations**

Operations comprise services and divisions of service as defined in BVACOP. Acquired operations are those operations of the Council that are acquired in the period.

### **Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- (b) the actuarial assumptions have changed.

### **Capital Expenditure**

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

## **Glossary of Terms continued**

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### **Class of Tangible Fixed Assets**

The classes of tangible fixed assets required to be included in the accounting statements are:

Operational assets:

- Other land and buildings
- Vehicles, plant, furniture and equipment
- Infrastructure assets
- Community assets

Non-operational assets:

- Investment properties
- Assets under construction
- Surplus assets, held for disposal

### **Community Assets**

Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

### **Consistency**

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

### **Constructive Obligation**

An obligation that derives from a Council's actions where:

- (a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the Council has indicated to other parties that it will accept certain responsibilities; and
- (b) as a result, the Council has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

### **Contingent Asset**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

## **Glossary of Terms continued**

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### **Contingent Liability**

A contingent liability is either:

- (a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- (b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

### **Corporate and Democratic Core**

The corporate and democratic core comprises all activities which Local Authorities engage in specifically because they are elected multi-purpose Authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no basis for apportioning these costs over or across services.

### **Current Service Cost (Pensions)**

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

### **Curtailement**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- (a) termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and
- (b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

### **Defined Benefit Scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

## **Glossary of Terms continued**

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### **Defined Contribution Scheme**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

### **Depreciation**

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

### **Discontinued Operations**

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met:

- (a) the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- (b) the activities related to the operation have ceased permanently;
- (c) the termination of the operation has a material effect on the nature and focus of the Council's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the Council's continuing operations;
- (d) the assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing.

### **Discretionary Benefits**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Council's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or The Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

## **Glossary of Terms continued**

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### **Estimation Techniques**

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- (a) methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period
- (b) different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

### **Events After the Balance Sheet Date**

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

### **Exceptional Items**

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

### **Expected Rate of Return on Pensions Assets**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

### **Extraordinary Items**

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

## **Glossary of Terms continued**

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### **Fair Value**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

### **Finance Lease**

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all (normally 90% or more) of the fair value of the leased asset. The present value should be calculated by using the interest rate implicit in the lease. However, where the present value of the minimum lease payments does not amount to 90% or more of the fair value of the leased asset, it should not be automatically assumed that the lease is not a finance lease. FRS5 requires that the substance of the transaction be reflected and therefore the lease may still need to be classified as a finance lease.

Notwithstanding the fact that the lease meets the definition above, the presumption that an asset should be classified as a finance lease may in exceptional circumstances be rebutted if it can be clearly demonstrated that the lease in question does not transfer substantially all the risks and rewards of ownership (other than legal title) to the lessee.

### **Going Concern**

The concept that the Council will remain in operational existence for the foreseeable future, in particular that the Income and Expenditure Account and Balance Sheet assume no intention to curtail significantly the scale of the operations.

### **Government Grants**

Assistance by Government and Inter-Government Agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to a Council in return for past or future compliance with certain conditions relating to the activities of the Council.

### **Impairment**

A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

### **Infrastructure Assets**

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths



## **Glossary of Terms continued**

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### **Interest Cost (Pensions)**

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

### **Investments (Non-Pensions Fund)**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.

### **Investments (Pensions Fund)**

The investments of the Pensions Fund will be accounted for in the statements of that Fund. However, Authorities are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

### **Investment Properties**

Interest in land and/or buildings:

- (a) in respect of which construction work and development have been completed; and
- (b) which is held for its investment potential, and rental income being negotiated at arm's length.

### **Liquid Resources**

Current asset investments that are readily disposable by the Council without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

### **Long-Term Contracts**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

## **Glossary of Terms continued**

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### **Net Book Value**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

### **Net Current Replacement Cost**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

### **Net Debt**

The Council's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than debt.

### **Net Realisable Value**

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

### **Non-Operational Assets**

Fixed assets held by a Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the Council and the rental income is negotiated at arm's length.

### **Operating Lease**

A lease other than a finance lease.

### **Operational Assets**

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

### **Past Service Cost**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

## **Glossary of Terms continued**

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### **Prior Period Adjustments**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

### **Projected Unit Method**

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefit valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- (a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- (b) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries

### **Related Parties**

Two or more parties are related parties when at any time during the financial period:

- (a) one party has direct or indirect control of the other party; or
- (b) the parties are subject to common control from the same source; or
- (c) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- (d) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

## **Glossary of Terms continued**

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### **Related Parties continued**

Examples of related parties of a Council include:

- (a) central government;
- (b) local authorities and other bodies precepting or levying demands on the Council Tax;
- (c) its subsidiary and associated companies;
- (d) its joint ventures and joint venture partners;
- (e) its members;
- (f) its chief officers; and
- (g) its pension fund.

Examples of related parties of a pension fund include its:

- (a) administering authority and its related parties
- (b) scheduled bodies and their related parties, and
- (c) trustees and advisers.

This list is not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

- (a) members of the close family, or the same household; and
- (b) partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

### **Related Party Transactions**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- (a) The purchase, sale, lease, rental or hire of assets between related parties;
- (b) the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund.

## **Glossary of Terms continued**

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### **Related Party Transactions continued**

(c) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;

(d) the provision of services to a related party, including the provision of pension fund administration services.

(e) transactions with individuals who are related parties of a Council or a pension fund, except those applicable to other members of the community or the pension fund, such as council tax, rents and payments of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the Council, but also in relation to its related party.

### **Remuneration**

All sums paid to or receivable by an employee and sums due by way of expenses allowances and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

### **Residual Value**

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

### **Retirement Benefits**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date, or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

### **Scheme Liabilities**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

## **Glossary of Terms continued**

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### **Settlement**

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- (a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- (b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- (c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

### **Stocks**

The amount of unused or unconsumed stocks held in expectation of future use. Comprise the following categories:

- (a) goods or other assets purchased for re-sale;
- (b) consumable stores;
- (c) raw materials and components purchased for incorporation into products for sale;
- (d) products and services in intermediate stages of completion;
- (e) long-term contract balances; and
- (f) finished goods.

### **Tangible Fixed Assets**

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

### **Total Cost**

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

## **Glossary of Terms continued**

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### **Useful Life**

The period over which the Council will derive benefits from the use of a fixed asset.

### **Vested Rights**

In relation to a defined benefit scheme, these are:

- (a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- (b) for deferred pensioners, their preserved benefits;
- (c) for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.

### **\*Use of Asterisk**

*In several notes to the main accounting statements, numbers may be marked with (\*) to denote rounding variations.*

# Annual Governance Report

Halton Borough Council

Audit 2008/09

Date



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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
-

Ladies and Gentlemen

**2008/09 Annual Governance Report**

I am pleased to present the final version of my report on the results of my audit work for 2008/09.

A draft of the report was discussed and agreed with the Strategic Director Policy & Performance and the Operational Director – Financial Services on x September 2009 and has been updated since as issues have been resolved.

The report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 8 to 11);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 5).

Yours faithfully

Michael Thomas  
District Auditor  
Date

# Key messages

This report summarises the findings from the 2008/09 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

<b>Financial Statements</b>	<b>Results</b>	<b>Page</b>
Unqualified audit opinion	Yes	4
Draft financial statements free from material error	No	8
Amended financial statements free from material error	Yes	8
Adequate internal control environment	Yes	9
<b>Use of resources</b>	<b>Results</b>	<b>Page</b>
Use of resources judgements	Yes	12
Arrangements to secure value for money	Yes	14

## Audit opinion

- 1 Subject to the satisfactory clearance of matters outstanding and a final check on the amended accounts, I expect to issue an unqualified audit opinion on the Council's 2008/09 abstract of accounts on 30 September 2009.

## Financial statements

- 2 I wish to draw the following issues to your attention and request that you re-approve the Council's 2008/09 abstract of accounts.
- 3 The Council's draft abstract of accounts was available for audit on 30 June 2009 but was not approved by the Business Efficiency Board until 12 August 2009 due to the Council awaiting a response from the Department for Communities and Local Government (DCLG) to its application for a capitalisation direction for development costs incurred on the Mersey Gateway scheme. Members may recall that in our 2007/08 Annual Governance Report we raised the issue of the accounting treatment of the development costs on the Mersey Gateway scheme. In essence our view is that the majority of the costs incurred to date should have been treated as revenue costs rather than capitalised.
- 4 The DCLG decision was received in late July and allowed the Council to capitalise up to £3.7m of 2008/09 expenditure. In addition the Department for Transport (DfT)

## Key messages

amended the terms of £3m of capital grant to enable this to be used for revenue purposes during 2008/09. The outcome of the decisions from DCLG and DfT did not allow the Council to capitalise any of the expenditure incurred in previous years. As a result a material amount of expenditure from earlier years remained, in my view, incorrectly accounted for as capital expenditure. The majority of this expenditure had been incurred in 2006/07 and 2007/08.

- 5 The draft abstract approved by the Business Efficiency Board on 12 August was revised to reflect the DCLG and DfT's decisions as well as some issues which had been picked up by my initial review of the draft accounts. The Operational Director – Financial Services' report to the Business Efficiency Board meeting identified further work was necessary to correct the accounting treatment of earlier years' expenditure on the Mersey Gateway scheme.
- 6 Following significant input from the Group Accountant and agreement of the amendments with my audit team this work is now complete and the draft abstract has been amended to reflect a prior period adjustment of £8.43 m. This relates to the development costs on the Mersey Gateway scheme incurred during 2006/07 and 2007/08. Costs capitalised before 2006/07 remain in the balance sheet but are in total below our materiality gauge and go back to 2001 and for some elements of these there could be a justifiable case to argue that they could be accounted for as capital expenditure. The amount of this expenditure is £4.675m. We have agreed with the Operational Director – Financial Services not to amend the accounting treatment of this earlier expenditure.
- 7 My audit also identified a further material adjustment on fixed assets of £11.4m. Several voluntary aided and voluntary controlled schools, not owned by the Council, had been incorrectly included on the Council's balance sheet since the transfer of these assets from Cheshire County Council in 1998. The schools had been shown as assets in the accounts of the former County Council on transfer and therefore included in the Council's asset register.

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## Use of resources

- 8 I have completed my work on the Use of Resources assessment for 2008/09. Use of Resources is a scored judgement which determines how well councils manage and use their financial resources. I concluded that the theme and KLOE (key lines of enquiry) scores reflect a council that is performing consistently above the minimum standards specified by the Audit Commission.

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## Value for Money Conclusion

- 9 I intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources. The wording of my draft report is attached in Appendix 1. There are no issues to bring to members' attention in addition to those reported under the Use of Resources section below.

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**Audit Fees**

- 10** My fee proposals were communicated to you in my Audit Plan for 2008/09. In my updated Opinion Plan, presented to you in June 2009, I reported that I was satisfied that the audit fee was appropriate and no adjustment was required. I have not identified any additional risks that have required an amendment to my fee estimate.

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# Next steps

**This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.**

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**11** I ask the Business Efficiency Board to:

- consider the matters raised in the report before approving the financial statements (pages 8 to 11);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- take note of the VFM Conclusion and Use of Resources score;
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 5).

---

# Financial statements

**The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.**

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## Opinion on the financial statements

- 12** Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

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## Errors in the financial statements

- 13** I have had ongoing discussions during the year with the Operational Director – Financial Services on the accounting treatment for the development costs on the Mersey Gateway scheme. The DCLG and DfT decisions in July 2009, and the financial statements approved by members on 12 August, dealt with the 2008/09 in year costs of £6.7m. It did not however resolve the costs which had been incurred in previous years, in particular the costs incurred in 2007/08 and 2006/07 which totalled £8.430m. My view was that these costs should be accounted for as capital expenditure rather than revenue expenditure. I agreed with the Operational Director – Financial Services that the financial statements would be amended to reflect this error.
- 14** The amendment of previous years' expenditure on Mersey Gateway required a prior period adjustment (PPA). This PPA corrected the £8.430m of expenditure previously charged to capital in 2006/07 and 2007/08 and included in the Fixed Assets balance as infrastructure costs, which should have been charged to the Income and Expenditure Account as revenue expenditure. To enable this adjustment to be made officers have utilised £4.930m from the capital reserve and £3.5m from NWDA grant funding. Various other accounting entries have been affected by this PPA, the detail of the amended entries is provided at note 38 to the abstract.
- 15** My audit also identified another material error in the Council's 2008/09 financial statements. This related to fixed assets on the balance sheet. Audit testing of the Council's operational assets (land and buildings) highlighted two voluntary controlled schools valued at £4.8m which were not owned by the Council but were included on the Council's balance sheet. Following further testing carried out by Council staff, a further two voluntary controlled schools and two voluntary aided schools were found to have been incorrectly included on the Council's balance sheet. The six schools totalled some £11.4m in value. The 2008/09 accounts have been amended to correct this error, again via a PPA. These schools have been accounted for in this manner since their transfer from Cheshire County Council when Halton Borough Council was established as a unitary.

## Financial statements

### Material weaknesses in internal control

**16** There were no material weaknesses in internal control identified as a result of my audit.

### Letter of representation

**17** Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation I seek to obtain from you.

### Key areas of judgement and audit risk

**18** In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 1.

**Table 1**      **Key areas of judgement and audit risk**

Issue or risk	Finding
Two Business Improvement Districts (BIDs) were established in 2008/09 and these need to be separately disclosed within the accounts. There is a risk that the disclosure may not be compliant with CIPFA's Statement of Recommended Practice (SORP).	The Council's financial statements include a separate disclosure note which incorporates the revenue accounts for the Astmoor and Halebank BIDs. This disclosure is in line with the requirements of the SORP.
Extensive disclosure on financial instruments is required within the 2008/09 accounts. There is a risk that disclosure may not be in line with requirements.	My review of the financial instruments note highlighted a number of omissions and disclosure issues. These are in the process of being amended.
The economic recession has had a downward impact on asset values. There is a risk that asset values within the 08/09 accounts may not be appropriate.	My audit testing of asset values has not identified any issues. The revaluation and impairment balances are in line with expectations.
The 2007/08 Statement of Total Recognised Gains and Losses (STRGL) required significant amendment to bring it in line with the SORP. There is a risk that the 2008/09 STRGL may not be SORP compliant.	My audit testing has confirmed that the format and content of the 2008/09 STRGL complies with the requirements of the SORP.
The P2 database is the Council's asset register and will be used for the first time this year to produce asset information for	My audit testing has confirmed that asset information held on the P2 database has been reconciled to the asset information



Issue or risk	Finding
the accounts. There is a risk that the P2 information will not match the asset information held by finance and within the general ledger.	held by finance and to that contained within the general ledger.

### Accounting practice and financial reporting

19 I consider the qualitative aspects of your financial reporting. Table 2 contains the issues I want to raise with you.

**Table 2**

Issue or risk	Finding
Expenditure incurred late in the financial year can be coded to the wrong year in error.	My sample testing identified a 2008/09 invoice for £188,565 which had been incorrectly coded as 2009/10 expenditure. Additional testing by finance staff identified no further errors but the extrapolated error based on my sample testing indicates a further potential error, and understatement of 2008/09 expenditure, of £386,670. Officers have amended the 2008/09 accounts to reflect the actual invoice error of £188,565 but the potential uncertainty of £386,670 remains.
Categorisation of expenditure between capital and revenue.	Testing of capital expenditure identified 4 invoices totalling £62,055 which had been incorrectly categorised as capital expenditure. Although the expenditure related to capital schemes it was revenue in nature and as such should have been charged to the revenue account. The extrapolated error based on my sample testing indicates a further potential error of £209,873. The accounts have not been amended.
The draft abstract included several restatements of prior year audited balances.	Financial reporting standards require that only material adjustments arising from either changes in accounting policies or to correct fundamental errors should be accounted for by restating the comparative figures for the prior year. The draft accounts included two non material

## Financial statements

Issue or risk	Finding
	restatements, £0.428m for school balances and £0.247m for the change in actuarial gains and losses on pensions, both of which were done through adjusting the 2007/08 audited comparators. They are not material and should have been treated as in year adjustments and accounted for accordingly. The abstract has not been amended.
Non compliance with SORP disclosure requirements.	Our audit is substantially complete in this area. If any matters arise as a result of our final testing we will report them to management and, if significant, to the Business Efficiency Board at a later date.

Recommendation
<b>R1</b> Further develop year end closedown arrangements to ensure that the 2009/10 abstract of accounts meets all relevant disclosure requirements.
<b>R2</b> Ensure staff follow year end procedures relating to the coding of expenditure.
<b>R3</b> Review and strengthen processes to ensure the correct categorisation of expenditure between revenue and capital.
<b>R4</b> Restate prior year figures only where there is a material change in accounting policy or to correct a fundamental error.

## Use of resources

I am required to consider how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and give a scored use of resources judgement.

I am also required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

### Use of resources judgements

- 20** In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 21** I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 22** The KLOEs reflect higher expectations than the previous assessment and include some areas not previously reviewed, including commissioning and procurement and use of natural resources. There is also a changed emphasis this year in that the focus is on being able to evidence the outcomes achieved as a result of the actions taken during the year.
- 23** The Council's use of resources theme scores are shown in Table 3 below. The overall use of resources score for the Council will be calculated by the Audit Commission and will be published on 17 October 2009. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 5.

**Table 3 Use of resources theme scores**

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	3
Managing resources	2

### Managing finances

- 24** The Council continues to manage its finances well to deliver value for money and it continues to deliver services that achieve high satisfaction ratings from local people.

## Use of resources

- 25** The Council has a proven track record of robust financial management and good financial standing. Its previous prudent approach to managing its finances has meant that it has sufficient balances and reserves to deal with the Mersey Gateway amendment discussed earlier in this report. It is now in the process of revisiting its medium term financial strategy (MTFS) and reserves and balances strategy to reflect the impact of the Mersey Gateway accounting treatment.
- 26** The Council has a good understanding of its costs and comparative performance and it has achieved both cost and service efficiencies in 2008/09. It is currently going through a major efficiency programme which should help deliver significant efficiency savings to the local community by 2011/12. It is essential that the Council is able to demonstrate achievement of the first stage of the efficiency programme in 2009/10.
- 27** At the time of our review in early 2009 the Council did not have a systematic approach to reviewing services to ensure they deliver value for money. It is developing this as part of the wider efficiency programme.

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## Governing the business

- 28** The Council has well established governance arrangements in place which are well understood by both officers and members. There is a strong ethical framework and culture within the organisation and a real commitment to deliver good quality services which meet the needs of the local community. Satisfaction levels with Council services are good. The Council has continued to develop its commissioning and procurement functions and we have seen good evidence of joint procurement initiatives with partners and neighbouring organisations. There is generally good use of data to inform decision making and service delivery with some good examples of improved outcomes being delivered.
- 29** Data quality arrangements continue to develop but further progress is needed to evidence good data quality arrangements across all service areas. In addition officers should progress the plans in place to further strengthen commissioning and procurement, including the third sector.

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## Managing resources

- 30** I concluded that the Council's management of its natural resources is adequate and continues to develop. It has put in place some good energy saving and green initiatives but it now needs to ensure its baseline information on its environmental impact is complete and comprehensive. This needs to be supported by appropriate targets, and more systematic monitoring and reporting arrangements.
- 31** Over the past year the Council has strengthened its strategic approach to asset management. It has continued to manage and use its assets well at an operational level with some good examples of Council assets being used to benefit the local community and enhance service delivery. Progress is ongoing in updating the asset management information database.

<b>Recommendation</b>	
<b>R5</b>	Revisit the MTFS and reserves and balances strategy to reflect the impact of the Mersey Gateway accounting treatment.
<b>R6</b>	Ensure that a service review framework and programme is agreed in 2009/10.
<b>R7</b>	Progress the plans in place to further strengthen commissioning and procurement arrangements and evidence improved outcomes.
<b>R8</b>	Develop plans to ensure a corporate approach to supporting the third sector in commissioning and procurement.
<b>R9</b>	Develop a complete and comprehensive baseline of the Council's environmental impacts.
<b>R10</b>	Establish a more strategic and systematic approach to managing natural resources, including the setting of targets and monitoring and reporting of performance against these periodically through the year.
<b>R11</b>	Ensure the asset management information database is complete and up to date.

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### Value for money conclusion

- 32** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the specified criteria for 2008/09 are set out in Appendix 4.
- 33** I intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains the wording of my draft report.

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# Appendix 1 – Independent auditor's report to Members of Halton Borough Council

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## Independent auditor's report to the Members of Halton Borough Council

### Opinion on the financial statements

I have audited the Authority and Group accounting statements and related notes of Halton Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The Council and Group accounting statements comprise the Group and Group Income and Expenditure Account, the Group Statement of Movement on the General Fund Balance, the Council and Group Balance Sheet, the Council and Group Statement of Total Recognised Gains and Losses, the Council and Group Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Halton Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### Respective responsibilities of the Operational Director Financial Services and the auditor

The Operational Director - Financial Services' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Council and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Council and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in

June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures

I read other information published with the Council and Group accounting statements, and consider whether it is consistent with the audited Council and Group accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Council and Group accounting statements. My responsibilities do not extend to any other information.

### Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Council and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the Council and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Council and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Council and Group accounting statements and related notes.

### Opinion

In my opinion:

- The Council's financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Council as at 31 March 2009 and its income and expenditure for the year then ended; and
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Council as at 31 March 2009 and its income and expenditure for the year then ended.

## Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

### Council's Responsibilities

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

### Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Council has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Halton Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

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### Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Michael Thomas

District Auditor

30 September 2009

Address: Audit Commission Office, The Heath Business & Technical Park, Runcorn,  
Cheshire WA7 4QF



## Appendix 2 – Adjusted amendments to the accounts

The following misstatements were identified during the course of my audit and the financial statements have been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities.

**Table 4**

Nature of adjustment	Accounts affected	Value of error £m
<p><b>Adjustments to reflect the accounting treatment of Mersey Gateway development costs as revenue rather than capital expenditure</b></p> <p>Prior period adjustment to reduce capital expenditure and increase revenue expenditure. Associated funding streams amended to reflect change in categorisation of expenditure. All items affected by this change are detailed in note 38 to the abstract.</p>	<p>Income and Expenditure</p> <p>Statement of Movement on the General Fund</p> <p>Statement of Total Recognised Gains and Losses</p> <p>Balance Sheet</p> <p>Cashflow Statement</p>	<p>£8.430m</p>
<p><b>Adjustments to reflect the ownership of voluntary aided (VA) and voluntary controlled (VC) schools.</b></p> <p>Prior period adjustment to remove 6 VA/VC schools from the Council's fixed asset base and amend the associated accounting entries for depreciation and the revaluation reserve. All items affected by this change are detailed in note 38 to the abstract.</p>	<p>Income and Expenditure</p> <p>Statement of Movement on the General Fund</p> <p>Statement of Total Recognised Gains and Losses</p> <p>Balance Sheet</p> <p>Cashflow Statement</p>	<p>£11.4m</p>

## Appendix 2 – Adjusted amendments to the accounts

Nature of adjustment	Accounts affected	Value of error £m
<p><b>Adjustments to 2008/09 expenditure to include invoice coded to wrong financial year</b></p> <p>Increase 2008/09 expenditure and reduce Invest to Save fund to bring expenditure into the appropriate year.</p>	<p>Expenditure Reserves</p>	<p>£0.189m</p>
<p><b>Prior period adjustments</b></p> <p>The draft abstract included two restatements, £11.205m relating to the reclassification of temporary loans to long term loans and £8m reclassification of expenditure in the cashflow statement. Both of these restatements were effected through restating the prior year comparator. They have now been included in note 38 as PPAs.</p>	<p>Income and Expenditure Statement of Movement on the General Fund Statement of Total Recognised Gains and Losses Balance Sheet Cashflow Statement</p>	<p>£11.205m £8m</p>
<p><b>Adjustment to the Cashflow Statement</b></p> <p>Correction of a miscalculation on the other government grants figure on the cashflow statement.</p>	<p>Cashflow statement</p>	<p>£0.604m</p>
<p><b>Adjustments to the financial instruments note to bring it in line with the requirements of the SORP and ensure internal consistency</b></p> <p>Expanded disclosure note to more fully reflect the requirements of the SORP. Various amendments to the values within the note to ensure compliance with the SORP and consistency with other information within the abstract.</p>	<p>Financial instruments note</p>	<p>Additional narrative disclosure. Amendments currently being worked through by finance staff.</p>
<p><b>Amended disclosures within the abstract</b></p> <p>Several items amended to enhance disclosure.</p> <p>Post balance sheet events note – updated to include reference to second authorisation for issue date and consideration of post balance sheet events up to that date.</p> <p>Accounting policies - expanded disclosure to</p>	<p>Notes Accounting policies</p>	<p>Additional narrative disclosure</p>

## Appendix 2 – Adjusted amendments to the accounts

Nature of adjustment	Accounts affected	Value of error £m
explain elements of the terminology within the pensions note. Inclusion of policy on group accounts.		
<p><b>Adjustment to note 18 (a) fixed assets and (b) financing of capital expenditure</b></p> <p>Amendment of £5.084m made to reflect the gross turnover and reconcile notes 18(a) and 18(b). The amount of £5.084m had already been written out through the Income and Expenditure Account and this amendment was necessary to ensure internal consistency.</p>	Note 18	£5.084m

# Appendix 3 – Draft letter of representation

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Michael Thomas  
District Auditor  
Audit Commission Office  
The Heath Business & Technical Park  
Runcorn  
Cheshire WA7 4QF

## Halton Borough Council - Audit for the year ended 31 March 2009

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors of Halton Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2009. All representations cover the Council's accounts and Group Accounts included within the financial statements.

### Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the Council and for making accurate representations to you.

### Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council, Executive Board and Committee meetings, have been made available to you.

### Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

### Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

### Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. In respect of Note 34, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- that subsequent events do not require adjustment to the fair value measurement.

### Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

**Appendix 3 – Draft letter of representation**

**Compensating arrangements**

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in Note 30 to the financial statements we have no other lines of credit arrangements.

**Contingent liabilities**

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

**Related party transactions**

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

**Post balance sheet events**

Since the date of approval of the financial statements by the Business Efficiency Board on 12 August 2009, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Signed on behalf of Halton Borough Council

I confirm that this letter has been discussed and agreed by the Business Efficiency Board on 30 September 2009.

Signed

Name

Position

Date

# Appendix 4 – Use of resources key findings and conclusions

The following tables summarise the key findings and conclusions for each of the three use of resources themes.

**Table 5** Theme 1 - managing finances

<b>Theme 1 score</b>	<b>3</b>
Key findings and conclusions	
KLOE 1.1 (financial planning) score	3
<p>The Council has a proven track record of sound financial management. Its current medium term financial strategy (MTFS) covering 2009/10 to 2011/12 is fully integrated with other service plans and directly links to the Council’s strategic objectives. The MTFS includes sensitivity analysis, including worst case scenarios.</p> <p>The Council’s financial position over the next few years is extremely challenging and it is anticipating required efficiency and cost savings of £6m in each of the next 3 years. It has employed an efficiency partner, KPMG, to help it achieve these savings. It has factored in the impact of the economic downturn where known into its 09/10 budget and is continuing to update plans to reflect the current local economic climate.</p> <p>The Council’s 08/09 budget included shifting resources to meet Council plans and also included key priority areas for growth linked to corporate priorities such as BSF and older people. Following the Haringey review £469k was transferred to safeguarding children. A WNF/LSP commissioning pot was also set up to direct funding and resources to particular priority areas, with £500k being directed to alcohol harm reduction, anti social behaviour and worklessness, skills and enterprise.</p> <p>The Council actively engages local communities and stakeholders with its budget setting processes through the area forums, chamber</p>	

## Appendix 4 – Use of resources key findings and conclusions

Theme 1 score	3
<p>of commerce and the LSP and feedback is incorporated into the budget/financial planning process.</p> <p>Historically the Council has a strong record of managing its spend within available resources whilst continuing to deliver good quality services to the community. Again in 2008/09 it has maintained good budgetary control arrangements with effective budget setting and monitoring procedures, good reporting arrangements to members and use of an effective "traffic-light" system to highlight key variances and risks. Despite the economic downturn which has adversely impacted upon income levels the Council has delivered its planned £2m savings target for 08/09. The impact of the recession is highlighted in reports. The Council is actively seeking ways to help the local community and businesses. It has set up a series of targeted clinics, the first of which was in partnership with Halliwells and looked at debt recovery and it is also ensuring prompt payment of Council invoices to all local businesses.</p> <p>Major capital projects have been completed on time and on budget. For example the £4m project to refurbish Runcorn Town Hall offices was completed on time in July 08 and on budget. The £1.7m refurbishment of Halton Lea library is on course to finish on budget and in time to open on 17/18 August 09.</p> <p>Established treasury management processes exist with no exposure to foreign bank investments in 08/09. An approved treasury management strategy is in place. Following the Icelandic bank issue, the quarter 3 treasury management report included a review of the approved counter party list. This was not due until January 2010 but because of the rapidly changing circumstances and volatility in credit ratings officers felt it was prudent to rework the list on an interim basis. Internal Audit (IA) carried out a review of the Council's treasury management arrangements in 08/09 and gave it adequate assurance. IA made several recommendations including the need for the Council to review its treasury management arrangements against recently produced CIPFA guidelines. We understand that officers are in the process of doing this.</p> <p>As a result of prudent budgeting and financial management the Council's financial standing is good, with revenue balances of £6.9m and reserves of £28m. Some of the reserves are earmarked for specific projects but there is sufficient headroom for the Council to be able to accommodate the reversal of the accounting treatment on the Mersey Gateway scheme. Its reserves will reduce to just under £20m. Officers will need to revise the MTFs and reserves and balances to reflect this.</p> <p>Good financial management is seen as important by both officers and members and both are equipped to provide constructive scrutiny and challenge.</p>	



<b>Theme 1 score</b>	<b>3</b>
Key findings and conclusions	
KLOE 1.2 (understanding costs and achieving efficiencies) score	3
<p>The Council has a good understanding of its costs and their associated drivers. It understands areas where cost and performance are not in line and is taking action as appropriate. Managers have a good knowledge of cost trends. They compare performance over time to check trends and rank themselves against other councils. In reviewing costs managers’ also horizon scan. The Council has carried out a recent analysis of the comparative costs and performance of services as part of its service efficiency review work.</p> <p>Managers’ generally use benchmarking well and a number of services have achieved better performance and improved efficiencies as a result. Examples include Bed and Breakfast costs which have reduced from £22k in April 08 to £540 in Feb 09 and special educational needs where the Council has saved £400k and is delivering a better quality service as a result of investing in schools support and reducing the numbers of out of borough placements. In other areas efficiencies have been reinvested to deliver new services that address emerging areas of need eg. a CAB service in Children’s Centres.</p> <p>Whole life costing is considered for major projects and there are examples of wider social and environmental factors being considered eg. the setting up of a Mersey Gateway environmental trust to deliver the conservation plan and support the longer term ecological management of the estuary. The Council has also considered long term community benefits in deciding its approach to providing support for people with an intellectual disability and for people with an autism spectrum disorder. It provides intensive support which has demonstrated improved outcomes reducing challenging behaviour and normalising interactions. On a practical level this means less neighbour complaints and better community cohesion and in the longer term less reliance on expensive specialist placements. In Highways and transportation a review of performance against LTP indicators has already led to a shift in resources from roads to footways to improve performance.</p> <p>The Council delivers high performing services at above average costs. Council spending is above average but unapportioned overheads are low and have reduced further since last year. Average band D council tax is below average and has increased in line with other councils. Services generally have high satisfaction levels.</p> <p>Performance management is strong. As well as monitoring progress against performance indicators reports contain a financial summary which identifies high level spend against projections, and annual allocated budget. This enables managers to monitor cost variances.</p> <p>The Council focuses well on achieving efficiencies. Efficiency gains of £2.6m have been invested in priority areas (care for the increasing elderly population, waste recycling, transition of young people with disabilities to adulthood, and BSF). These efficiencies</p>	

## Appendix 4 – Use of resources key findings and conclusions

<b>Theme 1 score</b>	<b>3</b>
<p>included £174k from procurement of agency staff, £70k from replacing individual printers with shared devices, £206k from the accommodation strategy, £177k reduction in insurance claims following employment of highways inspectors to improve defence against slipping and tripping claims, and £178k as a result of minimising trips following a review of transport services to clients.</p> <p>The Council is undertaking an efficiency review as part of a fundamental review of the way it is structured and this includes a programme of service reviews to deliver financial and non-financial benefits. It anticipates the efficiency programme will generate £20m savings by the end of 2011/12. The Council has agreed a set of outline business cases describing efficiency opportunities and how these will be achieved and it is also in the process of establishing a revised management structure. For the Council to demonstrate continued vfm in 2009/10 it is essential that the first stage of this efficiency programme delivers its planned savings.</p> <p>The Council's efficiency savings for 2008/9 were estimated at £2.6m of which £1.8m is cashable and outturn figures show that the Council has achieved £2.649m.</p>	
KLOE 1.3 (financial reporting) score	2
Key findings and conclusions	
<p>The Council's financial reporting arrangements are generally robust. Financial monitoring and forecasting information is produced monthly and discussed between budget managers and directorate accountants. Web based agresso reports have continued to be developed during 2008/09 and directorate managers have been heavily involved in determining the format and content of these reports. Agresso allows authorised users 'real time views' into the system whereby they can access financial and commitment information.</p> <p>Quarterly performance monitoring reports to the Council's Policy and Performance Boards include both financial and performance information. These reports include a traffic light system to show progress against departmental services plans and whether income/expenditure incurred to date is above or below the expected budget profile. Financial information is presented in a clear and easy to understand way with commentary included on key variances. In year financial reporting could be improved through the inclusion of accruals, and this would bring in year reporting more in line with year end. Areas of adverse financial performance are brought back into line via in year budget monitoring processes with limited use of action plans being established to address adverse variances. Operational performance for some services such as council tax and business rates collections is monitored more frequently (monthly) because of the risks attached to the performance. This makes it possible for staff and members to take timely remedial action.</p>	

<b>Theme 1 score</b>	<b>3</b>
<p>Council reports are clear, easy to understand and concise with links through key milestones and performance indicators to the Council’s strategic objectives. The Council continues to make reports and minutes available to stakeholders and its local community on a timely basis, principally through its website. The website is well laid out and easy to navigate. All major reports, including the Council’s financial statements and external assessments of the Council, such as the 2008 Corporate Assessment, are placed on the website. In addition the Council produces an annual report each year. Following consultation with the local community as to what they want the annual report is produced in a newsletter format and sent to each household and business in the area.</p> <p>In line with its accounts closedown plan the Council’s 2008/09 financial statements were available in draft form in mid June. They were approved by members on 12 August. Although this was outside the 30 June deadline for accounts approval statutory requirements have been met and the Council has published a statement of reasons for the delay. The Council was waiting for a response from the Department of Communities and Local Government (DCLG) to its application for a capital direction for costs incurred on the Mersey Gateway scheme. The original application was made in December 2008. Following receipt of the DCLG decision in late July officers have amended the draft 2008/09 accounts and these were presented to members on 12 August. To fully reflect the DCLG decision and the requirements of the financial reporting standards the 2008/09 accounts will be further amended to include a material prior period adjustment of £8.5m relating to earlier years’ costs on Mersey Gateway. Members have been informed that the accounts they approved on 12 August will need to be re-approved before the audit opinion is given on 30 September 2009.</p> <p>Council staff have been prompt and responsive to audit queries and requests for additional information. We have identified scope to improve some of the working papers supporting the accounts. Our 2008/09 final accounts audit is ongoing.</p> <p>The Council has started to address the IFRS agenda. It commissioned KPMG to complete an IFRS review of its accounts and a multi disciplinary working group are using the results of this review to put together an implementation action plan. It is important that this action plan is developed very soon and that it includes milestones whereby the working group can assess progress and reprioritise if progress falls behind plan.</p>	

**Table 6**      **Theme 2 - governing the business**

<b>Theme 2 score</b>	<b>3</b>
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## Appendix 4 – Use of resources key findings and conclusions

<b>Theme 2 score</b>	<b>3</b>
Key findings and conclusions	
KLOE 2.1 (commissioning and procurement) score	3
<p>The Council has a clear vision of what it is seeking to achieve within the draft sustainable community strategy (SCS). Its priorities are based on good use of data and extensive and varied consultation with local communities. The Halton Observatory co-ordinates partnership data gathering and analysis and produces an annual State of the Borough report which provides good up to date information about the economic, social and environmental issues in the area. Currently partners have data at a ward level and are developing SOA level data. There is good recognition of the complexity of factors that have an impact on inequalities in the revised SCS.</p> <p>Joint commissioning works well in both Health &amp; Communities and Children &amp; Young Peoples services and has delivered some successful outcomes. The Council with the PCT has a focus on redesigning and improving intermediate care services for users. Partners have used joint funding to develop a sub-acute Intermediate Care Unit on the Halton Hospital campus. Successful implementation of intermediate care services have resulted in reduced emergency admissions and acute hospital bed utilisation and a reduction of 50% in the number of people living in care homes. The number of people over 65 supported at home has increased. This approach has also reduced the size of on-going care packages so that people are able to live more independently with lower levels of support.</p> <p>There are good examples of young people being involved in commissioning services, for example in developing sexual health services and in commissioning alternative curriculum provision to make this more outcome focused.</p> <p>The Council has used IT and business process reengineering (BPR) to improve systems, processes and increase customer access. It has refined on line accessibility as part of its customer service delivery system. It has linked applications for benefits from customers to trigger free school meals applications when appropriate resulting in increased take up from 2,857 in Jan 08 to 3,498 in 09. Through BPR the Council has reduced waiting times for social care assessments, adaptations and improved efficiency in supporting people through increased use of assistive technology.</p> <p>The Council has a clear understanding of the social care market but there is no corporate understanding of the supply market as such. Some training has been carried out for the 3rd sector but this is departmentally focussed. There is no evidence of a corporate approach to supporting the third sector through engagement or capacity building.</p> <p>The Council has agreed a revised approach to procurement and commissioning and will develop this as part of its wider efficiency</p>	

<b>Theme 2 score</b>	<b>3</b>
<p>review. This will ensure that the Council is able to maximise efficiency gains and procure and manage contracts in a consistent way. The Council has a procurement web page to give suppliers advice and guidance on selling to the Council. A 'shop locally' campaign has been developed to encourage people to buy from Halton enterprises. In addition, the Council is developing its approach to sustainable procurement but is at an early stage. It has a sustainable procurement policy and is identifying champions at both member and officer level. Electronic tendering is expected to be in place from the middle of the year.</p> <p>Different ways to procure services are considered. The Council is part of the Cheshire wide Concessionary Fares Scheme. Through framework agreements it has achieved savings of £475k this year. Joint procurement/commissioning also includes a brokerage system that is offered to schools for services and a joint trading standards service with Warrington Council. Joint commissioning with partners is in place for WNF money and partners jointly fund a number of other projects including debt counselling with CAB and training with Job Centre Plus.</p>	
KLOE 2.2 (data quality and use of information) score	2
Key findings and conclusions	
<p>A corporate data quality strategy exists and staff are reminded of their responsibility to comply via various mechanisms including a soon to be established onscreen IT system log on message. The Council has reviewed existing training provision and identified that whilst some elements of data quality training are provided in programmes such as Carefirst a more comprehensive training programme needs to be developed for all key staff across the Council.</p> <p>Information governance arrangements are good with an Information Governance Group led by a Strategic Director as well as a Data Quality Lead Officers Group which works alongside the Information Governance Group on specific issues relating to performance data quality. Security arrangements for the Council's key systems are robust. A detailed business continuity plan exists which sets out the procedures to follow during any loss of crucial business systems and this has been tested. The Council is developing a disaster recovery plan. There are clear security protocols in place which restrict access to systems and certain sets of confidential data. The Council requires that staff are trained if they are tasked with inputting data. A signing off process ensures that data quality is checked. The Council is working towards compliance with ISO 20071 and anticipates 100% compliance by summer 2009.</p> <p>Senior officers and members review data quality. All service plans are subject to review and scrutiny by Chief Officers Management Team and the PPBs. Service plans and quarterly monitoring reports contain statements of assurance from operational directors. The Council has recently introduced risk assessment to determine the level of validation/quality checks required on a system or piece of</p>	

## Appendix 4 – Use of resources key findings and conclusions

<b>Theme 2 score</b>	<b>3</b>
<p>information. Internal Audit carry out reviews of data quality each year. Their 08/09 review of 9 indicators from the new national indicator set identified an increasing number of errors in the calculations although no indicator was materially misstated. IA concluded that further work was required to strengthen the Council's data quality arrangements.</p> <p>The Council understands the information needs of decision makers. It has carried out a scrutiny review of performance management and is aware that councillors have a variety of information needs. It provides tailored information to different decision making forums eg. Policy and Performance Boards now receive partnership performance reports to enable them to scrutinise partnership performance.</p> <p>The Council has developed a strong, inclusive approach to owning, managing and monitoring performance at all levels across its services, supported by a well tailored performance management framework. There is a clear golden thread from the Council's Corporate Plan through to the Service Plans and individual targets. Responsibilities are identified against targets and priorities are risk-assessed. Objectives of the framework are clearly articulated and understood by staff. Reporting mechanisms are clear; with exception-reporting to the Executive Board and the Policy and Performance Boards. Performance reporting is timely, includes resident views and incorporates risks. Variations in performance are closely monitored by the management team to ensure that appropriate remedial action is taken. Operational performance for some services is monitored more frequently because of risks attached to the performance, for example council tax and business rates collections and the timeliness of reviews of children in care indicators are reported monthly. This makes it possible for timely remedial action to be taken.</p> <p>The performance management framework for the LSP is established and performance information is effectively shared amongst all partners. Halton Observatory allows key partners to input their own performance data and also have access to information about the community and its needs. This enables the Council and partners to inform improvement planning to meet identified community needs. There are Information Sharing Protocols in place</p>	
KLOE 2.3 (good governance) score	3
Key findings and conclusions	
<p>The Council is able to evidence a broad range of appropriate and well established policies and procedures underpinning good governance. A robust corporate governance framework exists. This includes a local Code of Governance, relevant Codes of Conduct, whistleblowing and complaints handling policies, registers of interests and hospitality, all have which have been appropriately</p>	

<b>Theme 2 score</b>	<b>3</b>
<p>disseminated across the organisation. Underpinning much of this is the Elected Member Development Programme which covers areas such as personal development plans, training, mentoring and the induction process. The training needs of all newly appointed members are assessed at the start of their appointment and personal training programmes established. The Council was awarded exemplar status in November 2008 by North West Employers Organisation Charter for Member Development. All members have commented positively on the training and development they receive particularly around standards and governance.</p> <p>Good working relationships exist between members and officers. Roles and responsibilities are kept under review and adapted to meet changing priorities and circumstances. External reports have commented on the culture of ongoing challenge between councillors and officers.</p> <p>There is a strong focus in all internal reports and documents on the Council’s purpose and vision. The Corporate Plan 2006-2011 sets out the Council’s purpose and its priorities and this is supplemented by the recently updated Sustainable Community Strategy and the 2009 State of the Borough report.</p> <p>There is a Standards Committee in place and officers have been proactive in raising awareness of standards of ethical behaviour through training and member briefings. A report on declarations of interest is presented twice yearly to the Standards Committee. Review of registers of interests, gifts and hospitality has confirmed that appropriate disclosures have been made by members. The Council’s website provides an email link and contact details for queries on the registers.</p> <p>Partnerships are included in the corporate risk register and are part of the overall risk management process at the Council. A governance framework for partnerships is in place. This includes aims and objectives such as sharing information systems, performance management frameworks and joint setting of quality standards for service providers.</p>	
KLOE 2.4 (risk management and internal control) score	3
Key findings and conclusions	
<p>The Council is able to evidence a broad range of well embedded processes and arrangements underpinning risk management (including counter fraud measures) and internal control. There is an established risk management policy although this is now a bit dated and is in need to review and formal approval by members. All Council directorates hold risk registers which include specific risks for their areas, including partnership working. In addition there is a separate partnership risk register which was most recently updated in February 2009. The register is in two parts, strategic and operational risks. The LSP Board is responsible for ensuring strategic risks</p>	

## Appendix 4 – Use of resources key findings and conclusions

<b>Theme 2 score</b>	<b>3</b>
<p>are considered, whilst all Partners involved with the work of the SSPs are encouraged to take ownership of the operational risks. The operational risks include the risks to the successful delivery of relevant objectives and targets in the LAA and Sustainable Community Strategy as well as any other key plans or strategies that the SSP may be responsible for delivering.</p> <p>The Council has an established anti fraud and corruption strategy and response plan together with a whistleblowing policy all of which are publicised via its website. An e-learning package on fraud has recently been developed and will be available for completed by Council staff in the near future. The allocation of resources to manage the risk of fraud and corruption is through the workplan of Internal Audit (IA). IA's plan and strategy for 09/10 sets out its rationale. IA is proactive in reviewing and following up data matches on the Commission's NFI database. The Business Efficiency Board, the Council's Audit Committee, has recently amended its terms of reference to include responsibility for fraud and corruption. The Council has completed a self assessment against CIPFA's publication 'Managing the Risk of Fraud'. This sets out the Council's current position along with identified actions to further strengthen arrangements. One of the areas identified for action relates to the formal consideration of fraud within risk management arrangements and making the assessment of fraud more explicit in the Council's risk management arrangements.</p> <p>The Council continues to maintain a sound system of internal control supported by a strong IA function that meets the required CIPFA standards. The work of IA is well supported and the Chief Executive receives copies of all IA reports. We have evidence of the Chief Executive highlighting issues raised in IA reports at the Management Team meetings and asking the relevant director for an update on the issue.</p> <p>There is an approved local code of governance in place and this sets out the sources of assurance available to the Council for ensuring the governance framework is operating as intended. The Council's 2008/09 Annual Governance Statement contains no significant governance issues and is consistent with our understanding of the organisation</p>	



**Table 7 Theme 3 - managing resources**

<b>Theme score</b>	<b>2</b>
Key findings and conclusions	
KLOE 3.1 (use of natural resources)	2
Key findings and conclusions	
<p>The Council has adequate baseline information about its own environmental impacts including information about energy and water use in council buildings but it does not yet have a complete baseline of all its environmental impacts.</p> <p>The Council is developing its strategic and systematic approach to managing natural resources, for example it has a plan to improve energy and water monitoring by 2010. Automatic meter reading technology is being installed on all the gas and electric supplies across all sites including schools. It has a water management contract with ADSM covering all corporate sites. A series of water saving measures such as water controls on urinals have been introduced to a number of sites. Water consumption is now actively monitored across these sites. Consumption is reducing and leak detection is much more proactive as unusually high levels of usage are noted and can be investigated. ADSM are only paid if agreed baseline figures are reached and costs are reduced.</p> <p>The Council is part of the Carbon Trust’s carbon management programme and has produced a carbon management plan with the Trust’s assistance. In addition the Council has been accepted on to the Energy Saving Trust programme which will provide support to reduce carbon emissions from council activity and from the wider community.</p> <p>The Council has completed a number of CO2 reduction actions as part of its carbon management implementation plan. For example, the installation of power perfectors at a number of sites, energy efficiency measures at Stobart Stadium and Runcorn Town Hall, and introduction of a 5 per cent bio-fuels mix to the vehicle fleet. However, the Council’s monitoring is still being refined and it does not yet have information to show that the measures it is taking are meeting its energy efficiency targets. Nor does it have a detailed future programme of action that is designed to meet future targets.</p> <p>The Council is developing a systematic approach to sustainable procurement. It has developed a Sustainable Procurement Policy and is identifying Sustainable Procurement Champions at both member and officer level. The Council has made good progress on procuring recycled products but has not presented evidence of mainstreaming sustainability into major procurement contracts although sustainability and environmental issues are considered as part of the process for major projects such as 3MG. With contamination</p>	

## Appendix 4 – Use of resources key findings and conclusions

<b>Theme score</b>	<b>2</b>
<p>widespread throughout the borough remediation of sites underpins most redevelopment schemes. Many reclaimed sites now have 'green flag' park recognition.</p> <p>The Council is improving some key areas of its use of natural resources such as the replacement of personal printers and office photocopiers with multi functional devices to reduce costs by over £65,000 and deliver environmental benefits. The Council's accommodation strategy sets standards for the use of space, and aims to consolidate operational property, resulting in savings of £400,000 a year. The Council has not carried out a review of environmental legal compliance but it does comply with legal requirements, for example, chemicals and other substances such as oil are stored in bonded areas.</p> <p>The Council can demonstrate a number of outcomes from its green travel plan but not regular monitoring and continual improvement. Key initiatives implemented include the availability of pool bikes, car share database with guaranteed lift home facility, cycle mileage payments to staff and a salary sacrifice scheme to enable employees to purchase cycles and annual public transport passes through salary deductions.</p> <p>Working with partners, Halton has adopted a climate change indicator, per capita CO2 reduction, as part of its LAA. This includes CO2 emissions from domestic housing, business and the public sector and road transport with a target of reducing CO2 by 20% by 2015.</p>	
KLOE 3.2 (strategic asset management)	2
Key findings and conclusions	
<p>The Council's strategic approach to asset management has developed since last year. An asset management plan is now in place and sets out how the Council intends to achieve its corporate objectives. It is linked to the capital programme and is aligned with corporate plan objectives. The asset management information database is a key part of the plan. The database includes land and building assets, IT assets are recorded in a separate register and vehicle assets are recorded in the fleet management asset register. The Asset Management Working Group has now been established for nearly a year and includes representatives from several directorates. The purpose of the group is to support the strategic management and use of assets. It is currently looking at accommodation across the Council as well as Council depots and whether all are needed.</p> <p>The Council's asset base is used to deliver sustainable social and economic outcomes for the people of the borough, an example being the use of industrial units to assist businesses of various sizes to trade. The use of community centres and school buildings also provide a range of community focussed activity across the area. Similarly the Council uses some of its parks and open spaces to support its priorities and help the local community. For example, it holds a weekly event in Victoria Park, "Wheels for all", to promote cycle use for</p>	

<b>Theme score</b>	<b>2</b>
<p>people of all ages, abilities and needs. This supports people to stay healthy, promotes the green agenda and uses adapted bikes to provide opportunities for the less able. It has also hosted, with multi agency support, Friday night in the park events to provide diversionary activities for young people. It has also provided multi use games areas (MUGAs) on public spaces in hot spots of need. The Council currently uses the CIPFA National Property Management Initiative output but this is mainly used to monitor the Council's performance year on year rather than comparative asset performance. Annual maintenance inspections are held at all Council properties and these identify maintenance requirements and the urgency of those requirements in terms of health and safety. Backlog maintenance is built into the maintenance programme and evidence has been obtained that shows that costs of this are declining, from £1,457,000 in 08/09 to £1,003,000 in 09/10. Although dated, the Council took the decision back in December 2005 to LSVT its housing stock primarily to ensure that the decent homes standard could be achieved. Option appraisal has been used to make significant spending decisions.</p> <p>The Council has worked well with partners to maximise the use and benefit of assets, examples including the transfer of Queens Hall Studio to Loose Music to enable it to be used as a community centre for cultural activities for the local community. Another example includes the refurbishment of Halton Lea Library. This was done in consultation with users regarding the design of facilities and services and how services could be improved to meet their needs. It is now a well used local facility. Windmill Hill Primary School now has a GP practice operating on site whilst 41 of the 68 schools in the borough operate out of school care clubs. Arrangements are also in place for community use of school premises and facilities out of hours. The Council's childrens centres provide multi-partner operations from single sites and the Kingsway Learning Centre provides a multi-purpose, multi-user centre including voluntary and community groups.</p>	
KLOE 3.3 (workforce planning) not applicable to single tier and county councils in 2008/09	N/A

# Appendix 5 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Annual Governance Report 2008/09 - Recommendations</b>						
11	Further develop year end closedown arrangements to ensure that the 2009/10 abstract of accounts meets all relevant disclosure requirements.	3				
11	Ensure staff follow year end procedures relating to the coding of expenditure.	3				
11	Review and strengthen processes to ensure the correct categorisation of expenditure between revenue and capital.	3				
11	Restate prior year figures only where there is a material change in accounting policy or to correct a fundamental error.	3				
14	Revisit the MTFS and reserves and balances strategy to reflect the impact of the Mersey Gateway accounting treatment.	3				

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
14	Ensure that a service review framework and programme is agreed in 2009/10	3				
14	Progress the plans in place to further strengthen commissioning and procurement arrangements and evidence improved outcomes.	3				
14	Develop plans to ensure a corporate approach to supporting the third sector in commissioning and procurement.	3				
14	Develop a complete and comprehensive baseline of the Council's environmental impacts.	3				
14	Establish a more strategic and systematic approach to managing natural resources, including the setting of targets and monitoring and reporting of performance against these periodically through the year.	3				
14	Ensure the asset management information database is complete and up to date.	3				

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Michael Thomas  
The Audit Commission  
The Heath Business and Technical Park  
Runcorn  
Cheshire  
WA7 4QF

Dear Mike

**Halton Borough Council – audit for the year ended 31 March 2009**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other Directors and Officers of Halton Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2009. All representations cover the Council's accounts and Group Accounts included within the financial statements.

***Compliance with the statutory authorities***

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the Council and for making accurate representations to you.

***Supporting records***

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council, Executive Board and Committee meetings, have been made available to you.

***Irregularities***

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

***Law, regulations, contractual arrangements and codes of practice***

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

***Fair Values***

I confirm the reasonableness of the significant assumptions within the financial statements. In respect of Note 34 I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- that subsequent events do not require adjustment to the fair value measurement.

***Assets***

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

***Compensating arrangements***

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in Note 30 to the financial statements we have no other lines of credit arrangements.



***Contingent liabilities***

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

***Related party transactions***

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

***Post balance sheet events***

Since the date of approval of the financial statements by the Business Efficiency Board on 12<sup>th</sup> August 2009, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Signed on behalf of Halton Borough Council

I confirm that this letter has been discussed by the Business Efficiency Board on 30<sup>th</sup> September 2009.

Signed

Name Councillor D. Leadbetter  
Position Chairman of the Business Efficiency Board  
Date

Signed

Name David Parr  
Position Chief Executive  
Date

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted